Bank Audi

ANNUAL REPORT 2022

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2022

Statement of the Chairman and Group Chief Executive Officer

Dear stakeholders,

2022 was another difficult year for the Group, as significant challenges continue to weigh on the operating conditions of countries of presence, particularly in Lebanon and Turkey, the Group's two principal markets. I will start with Turkey and the performance of Odea Bank before moving on to Lebanon.

In Turkey, increased political and economic volatility triggered a series of measures taken by the government and the Central Bank of Turkey to deal with the financial and currency crisis that have been besetting the country for a couple of years now. The Turkish Lira has depreciated by 28% versus the USD during the year, translating into a material negative translation impact of banking aggregates when measured in USD counter-value. In spite of this challenging environment, our subsidiary Odea Bank posted a resilient performance in 2022, on a stand-alone and in Turkish Lira basis, supported by sustainable results, outpacing the performance of privately-owned deposit Turksih banks. The Bank continued to consolidate its financial position, with the NPL ratio improving to the lowest level achieved since 2018 at 5.0% as at end-December 2022, while posting healthy profitability ratios.

In Lebanon, the continued absence of the reform pack to address the severe impact of the financial crisis prevailing since October 2019 is perpetuating high levels of uncertainities, preventing banks to estimate in a reasonable manner the impact of the Crisis on their financial position, which we anticipate to be quite material.

By common local and international consensus, the reform pack should include:
i) A credible and comprehensive macro-financial reform program to address, among others, the systemic failure of the financial and banking sectors caused by the Crisis.
ii) An IMF program that will allow to unlock other international funds.
iii) Parliament-approved Capital Control and banking restructuring and financial rebalancing laws.
iv) Filling the governance vacuum (extending to the President, government and other governmental bodies).

So far, an initial draft of the Capital Control law was endorsed in the parliamentary committees and awaits full parliamentary approval. It also remains subject to the approval of banking restructuring and financial rebalancing laws which will be setting conditions for so-called loss allocation criteria, which have not yet to date been formally submitted to parliament.

The Bank supports the agreement with the International Monetary Fund, as well as the adoption of the reform pack, given that the positives outweigh negatives. However, further amendments to the current version of the recovery plan are required 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. We also firmly believe 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.

Within this unsettling landscape, the year 2022 was another consolidation year for Bank Audi, focusing in priority on reinforcing the Bank's financial standing while promptly adapting to the numerous regulatory changes, mainly in Lebanon and Turkey. We continued implementing the six going concern pillars adopted in 2020, which coincidentally, happen to mirror to a great extent the CAMELS criteria mentioned in the proposed Reform Plan by the IMF, to be used for the assessment of viable banks.

In 2022, a particular focus was put on hedging the Bank's capital and profit and loss statement against the significant devaluation of the LBP. In anticipation of the change of the official exchange rate of the Lebanese Pounds to LBP 15,000 per USD starting 1 February 2023, we started in 2021 to significantly reduce the FX open position to stand at a short position of USD 150 million as at end-December 2022, from a peak of USD 2 billion as at end-December 2020. Nonetheless, this came at a cost of USD 2,873 million (LBP 4,331 billion when translated at the prevailing official exchange rate of LBP 1507.5 per USD) accumulated over the years 2021 and 2022 which could represent, at first glance, a considerable burden on equity. However, if such reduction was not made before the adoption of the new official exchange rate in February 2023, a mark-to market hit at the new official rate would have resulted in a cost higher by 3.15 times reaching LBP 13,668 billion instead of the LBP 4,331 billion actually incurred. The implementation of this direction has also allowed to ensure a better positioning in terms of capital adequacy ratios, reporting significantly higher levels than those that would have been reported without this reduction. CET1, Tier 1 and total capital adequacy ratio stood at 6.33%, 8.86% and 9.81% respectively as at end-December 2022, above the minimum regulatory levels of 5.25%, 6.75% and 8.75% applicable in 2022 (including a capital conservation buffer of 0.75%).

The new market realities in Lebanon have also driven us to rethink the business model of Bank Audi Lebanon to support the quality of its earnings by optimising sources of revenues and promoting the resilience of its infrastructrure, ensuring service continuity. We endeavoured to develop our capacity for generating core earnings in international "fresh dollars" by actively promoting the Account in fresh US Dollars. Nevertheless, that was not enough since the Bank's operation in Lebanon has decreased by 80% and its income by 63% over the past 3 years, while its number of customers decreased by only 17%, implying a large clientele base that generates negligible income. These aforementioned changes in the demographic of the customer base dictated the optimisation of the operating model whereby traditional banking would focus primarily on high and medium net worth customers, as well as corporate and commercial clients. In line with global trends, the remaining customers, of which mass and millennials, would be ultimately migrated to a new operating model based on the "neo" scheme which offers a compelling Digital Banking proposition at low cost. This should provide mutual benefits for the customer and bank alike, namely improving customer experience, capitalising on the payroll and mass market, scaling the acquisition of new clients, reducing dependency to physical network, reducing fraud risk, and promoting financial inclusion.

On the Information Technology level, the Bank devised to transform the IT department into an independent IT service provider company – Infostructure sal –, a subsidiary fully owned by the Bank Audi group, while laying out the required resources for Infostructure to rebuild its human capital. The principal aim of this reorganisation is to ensure a business continuity to all the bank's users and clients alike, along its customary level of service excellence, irrespective of the conditions in the operating background. In 2022, Infostructure set the grounds for several initiatives to be implemented in 2023, namely sustaining the availability and security of its services and maintaining its infrastructure and platforms. Migrating the Bank's business users to Office 365 on the cloud, consolidating some business applications in such a way as to maintain full business functionalities while reducing their operational cost, and a total revamp of the Bank's document management system are examples of such initiatives. IT also worked, in 2022, on the renewal of the Bank's Compliance solutions, in line with the Central Bank of Lebanon's circulars and regulatory requirements.

Notwithstanding, the year 2022 was not all gloomy, as the end of the year was also marked by a couple of positive prospects, namely:

- The adoption by the Lebanese parliament, on 18 October 2022, of law 306, effectively modifying the 66 year-old banking secrecy law, a motion requested in the proposed reform plan by the IMF.
- The execution, on 7 October 2022, of the maritime border demarcation agreement between Israel and Lebanon, which was followed by the announcement, on 12 December 2022, by Total Energies of the launch of drilling operations in Block 9 during the first quarter of 2023.
- A gradual recovery of Electricité Du Liban as highlighted by the unveiling, in the fourth quarter of 2022, by the Ministry of Energy of the recruitment process for the selection of Board members of the Electricity Regulatory Authority, which is also on the IMF's reform plan agenda, and the subsequent implementation, starting November 2022, new increased tariffs (for the first time since 1994).

Those developments, amid persisting significant challenges, allow for hope of a recovery on the medium to long term. Building cautiously on that hope, we are currently actively working on identifying the most salient strategic opportunities and challenges going forward for the Bank in Lebanon in the prevailing tough operating environment, as well as in a post-recovery setting. The ultimate goal consists in positioning the Bank to weather the prevailing Crisis in the best possible shape and to be ready to efficiently resume activity growth and business expansion as and when the challenges alleviate.

In closing and on behalf of the Board of Directors, we would like to thank our customers for their continuous patience and understanding, our employees for their exemplary dedication, and our shareholders for their permanent support. We all look forward for better days ahead.

Samir N. Hanna
Chairman and Group CEO

Bank Audi at a Glance

USD 26.9 billion
Total assets

USD 3.9 billion
Total loans to customers

USD 19.4 billion
Total customers' deposits

USD 7.6 billion
of assets under management underscoring the importance of the Private Banking business line

192
Years of banking experience

504,000
Customers served through **112** branches and **3,059** employees

USD 731 million
Net profits in 2022[1]

USD 4.0 billion
Total shareholders' equity

7
Different countries of presence

ESMS
Environmental and Social Management System integrated into core credit decision since 2013

GRI Standards
Pioneering the reporting standards in the MENA region

[1] Adjusted to the one-off flows from the outset of the financial crisis in Lebanon.

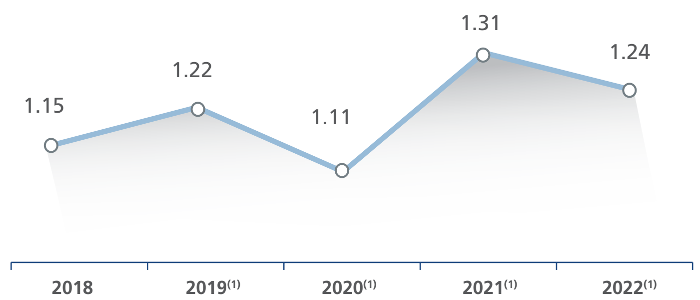
Main Financial Indicators 2022

	2018	2019	2020	2021	2022	CAGR 18-22
Assets	47,201[3]	39,535	35,431	26,857	26,926	-13.09%
Loans to customers	13,267	10,350	6,136	4,743	3,937	-26.19%
Customers' deposits	31,956	29,594	21,528	20,101	19,381	-11.75%
Shareholders' equity	3,886	2,970	2,951	2,492	4,017	0.83%
Net earnings	501	-602	-145	-184	-435	-
Number of branches	201	213	125[4]	115	112	-13.60%
Number of staff	6,306	6,288	3,931	3,180	3,059	-16.54%
Placements and loan quality						
Placements with Central Bank and banks[1]/Deposits	100.44%	89.44%	97.42%	100.12%	88.58%	
Loans to deposits	41.52%	34.97%	28.50%	23.59%	20.32%	
Credit-impaired/Gross loans[2]	5.52%	13.12%	15.31%	13.33%	14.78%	
Loan loss provisions/Credit-impaired (including allowance for ECL Stages 1 & 2)	102.82%	85.28%	94.46%	115.06%	88.27%	
Loan loss provisions/Credit-impaired (including real guarantees and allowance for ECL Stages 1 & 2)	146.72%	145.05%	158.41%	141.16%	103.59%	
Net credit-impaired/Equity	7.40%	19.98%	16.65%	9.98%	4.96%	
Allowance for ECL Stages 1 & 2/Net loans	2.33%	3.56%	7.02%	7.61%	3.07%	
Capital adequacy						
Equity/Assets	8.23%	7.51%	8.33%	9.28%	14.92%	
Common equity Tier 1 ratio	11.37%	6.61%	9.36%	10.04%	6.33%	
Capital adequacy ratio	18.91%	11.33%	13.12%	14.52%	9.81%	
Profitability						
Cost to income	46.27%	45.72%	44.22%	40.71%	48.97%	
ROAA	1.12%	-				
ROACE	14.00%	-				

[1] Including CDs.
[2] After adoption of IFRS 9.
[3] Consolidated assets of Bank Audi would have reached USD 42.3 billion as at end-December 2018, after netting for comparison purposes.
[4] Excluding entities held for sale.

Common Earnings Per Share

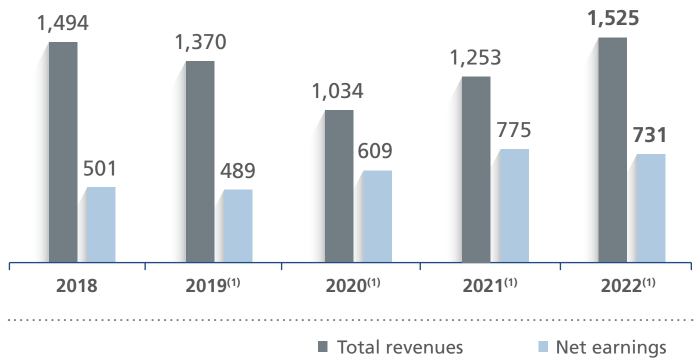
(USD)



[1] Adjusted to the one-off flows from the outset of the financial crisis in Lebanon.

Revenues & Net Earnings

(USD Million)



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CORPORATE GOVERNANCE

1.0. Corporate Governance Framework

Introduction

The Board of Directors of Bank Audi aims at achieving the Group's long-term success through the implementation of Governance practices that promote continuity, consistency, and effectiveness in the way the Board operates and governs the Bank.

In 2022, the Board continued to pay a particular attention to prudent and effective controls, in consideration of the heightened risks resulting from the fiscal and monetary crisis that persisted since the last quarter of 2019, in addition to its role of policy setting and of providing strategic guidance. Despite the impact of the said crisis on the Bank, and on all other banks and market players, and despite the additional pressing matters that showed up in 2022, the Bank continued its operations with integrity and in compliance with applicable laws and regulations.

The Board is thus satisfied that, during the period under review, it fully discharged all its responsibilities, as mapped in its yearly rolling agenda, and acted on the recommendations of its committees in a way to meet its obligations towards its shareholders and all other stakeholders. The Board is also satisfied that the Bank's Governance framework conforms to applicable directives and guidelines, and is adapted to the Bank's needs and high expectations of its stakeholders.

Governance Framework

Bank Audi is governed by a Board of Directors consisting of up to 12 members (currently 8) elected by the General Assembly of shareholders for terms not exceeding 3 years. The responsibility of the Board is to ensure strategic direction, management supervision and adequate control of the company, with the ultimate goal of increasing the long-term value of the Bank.

Bank Audi's Governance framework and that of its major banking subsidiaries encompass a number of policies, charters, and terms of reference that shape the Group's Governance framework over a wide range of issues including risk supervision, compliance, AML/CFT, audit, remuneration, evaluation, succession planning, ethics and conduct, budgeting, and capital management. Clear lines of responsibility and accountability are in place throughout the organisation with a continuous chain of supervision for the Group as a whole, including effective channels of communication of the Group Executive Committee's guidance and core group strategy. Strategic objectives setting corporate values and promoting high standards of conduct have been established and widely communicated throughout the Group, providing appropriate incentives to ensure professional behaviour.

The Bank's Corporate Governance Guidelines are accessible on the Bank's website at bankaudigroup.com

The Board is supported in carrying out its duties by the Audit Committee, the Risk Committee, the Remuneration Committee, the Compliance/AML/CFT Board Committee, the Corporate Governance and Nomination Committee, and the Executive Committee.

• The mission of the Group Audit Committee is to assist the Board in fulfilling its oversight responsibilities as regards:
(i) The adequacy of accounting and financial reporting policies; (ii) the integrity of the financial statements and the reliability of disclosures; (iii) the appointment, remuneration, qualifications, independence and effectiveness of the external auditors; and (iv) the independence and effectiveness of the internal audit function[1].

• The mission of the Group Risk Committee is to assist the Board in discharging its risk-related responsibilities. The Committee is expected to: (i) consider and recommend the Group's risk policies and risk appetite to the Board; (ii) monitor the Group's risk profile for all types of risks; and (iii) oversee the management framework of the aforementioned risks, and assess its effectiveness.

• The mission of the Remuneration Committee is to assist the Board in maintaining a set of values and incentives for Group executives and employees that are focused on performance and promote integrity, fairness, loyalty and meritocracy.

• The mission of the Compliance/AML/CFT Board Committee is to assist the Board of Directors in its functions and supervisory role with respect to: (i) fighting money laundering and terrorist financing and understanding the related risks, and assisting it in making the appropriate decisions in this regard; (ii) protecting the Bank from other compliance-related risks and, more generally, overseeing the Bank's compliance with applicable laws, policies and regulations.

• The mission of the Corporate Governance and Nomination Committee is to assist the Board in maintaining an effective institutional and Corporate Governance framework for the Group, an optimal Board composition, and effective Board processes and structure.

• The mission of the Group Executive Committee is to develop and implement business policies for the Bank and to issue guidance for the Group within the strategy approved by the Board. The Group Executive Committee also supports the Group Chief Executive Officer in the day-to-day running of the Bank and in guiding the Group.

[1] It is not the duty of the Audit Committee to plan or to conduct audits or make specific determinations that the Bank's statements and disclosures are complete and accurate, nor is it its duty to assure compliance with laws, regulations and the Bank's Code of Ethics and Conduct. These are the responsibilities of Management and/or of external auditors.

2.0. Shareholding Structure

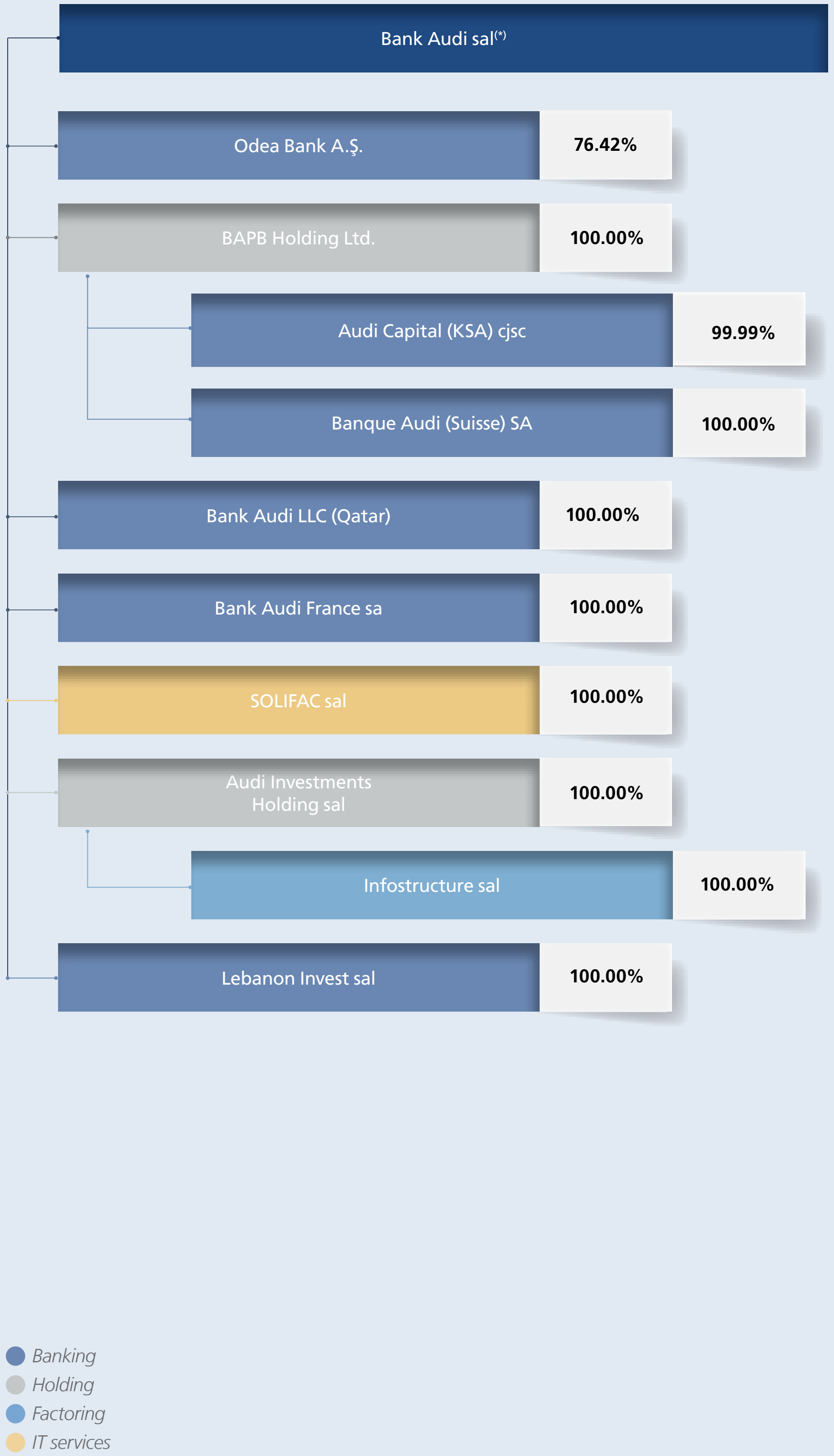
The following table sets out the composition of the holders of the common shares as at 31 December 2022:

Shareholders/Groups of Shareholders	Country (Ultimate Economic Ownership)	Percentage Ownership[1] (%)
FRH Investment Holding sal	Lebanon	12.25
Sheikh Dheyab Bin Zayed Bin Sultan Al Nahyan	United Arab Emirates	7.96
Al Hobayb family[2]	Kingdom of Saudi Arabia	5.87
Audi family[2]	Lebanon	5.01
Family of late Sheikha Suad Hamad Al Saleh Al Homaizi	Kuwait	4.42
Akig Investment Holdings Ltd	Iraq	4.26
Phoenicia Enterprises sa	Lebanon	3.37
Al Sabah family[2]	Kuwait	3.21
European Bank for Reconstruction and Development – EBRD	—	2.90
Ali Ghassan El Merhebi family	Lebanon	2.78
Kel Group	Lebanon	2.49
Mohammed Bin Dhoheyan Bin Abdul Aziz Al Dhoheyan	Kingdom of Saudi Arabia	2.37
Investment & Business Holding Group	Lebanon	2.30
Imad Ibrahim Itani	Lebanon	1.88
International Finance Corporation – IFC	—	1.70
Executives and employees[3]	Lebanon	1.45
Others	—	14.23
Global Depositary Receipts ("GDRs")[4]	—	21.55
Total shareholding[5]	—	**100.00**

[1] Percentage ownership figures represent common shares owned by the named shareholders and are expressed as a percentage of the total number of common shares issued and outstanding.
[2] The Audi family, Al Sabah family, and Al Hobayb family include the following members of the Board: (i) Marc Jean Audi and Sherine Raymond Audi, (ii) Mariam Nasser Sabah Al Nasser Al Sabah, and (iii) Abdullah Al Hobayb, respectively.
[3] Excluding members of the Audi family accounted for in a separate row above.
[4] GDRs represent common shares held by "The Bank of New York Mellon" as a holder of record in its capacity as depositary under the Bank's GDR Program.
In addition to the ownership of common shares mentioned above, 8.35 % of the Bank's common shares are held through GDRs by each of ***FRH Investment Holding sal (including by its controlling shareholder), Sheikh Dheyab Bin Zayed Bin Sultan Al Nahyan, the Al Hobayb family, the Audi family, the family of late Sheikha Suad H. Al Homaizi, and Mohammed Bin Dhoheyan Bin Abdul Aziz Al Dhoheyan*** *(respectively 1.56%, 2.13%, 1.66%, 0.51%, 1.23%, and 1.27%). Information on GDR ownership is based on self-declarations (pursuant to applicable Lebanese regulations) as GDR ownership is otherwise anonymous to Bank Audi.*
[5] As at the date hereof, the total number of common shares was 588,538,215. The Bank (and its affiliates) is the custodian of shares and/or GDRs representing 81.28 % of the Bank's common shares.

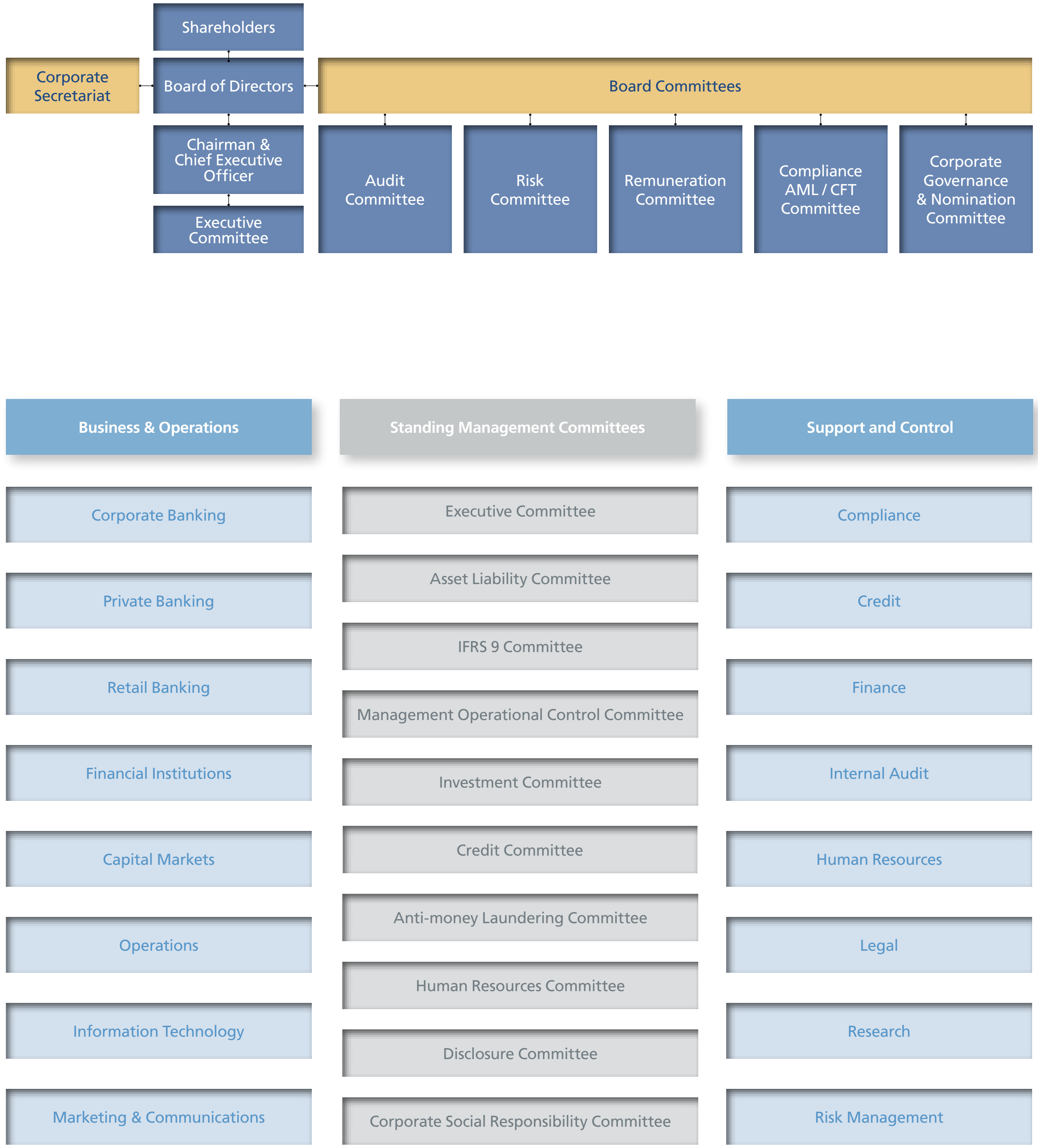
3.0. Corporate Structure

The major subsidiaries and branches abroad of Bank Audi sal as at 31/12/2022 are:



(*) *Percentage ownership represents the economic ownership of the Bank with direct and/or indirect ownership through subsidiaries.*

4.0. Group High Level Chart



5.0. Board of Directors

Composition of the Board of Directors

The current members of the Board of Directors were elected by a resolution of the Ordinary General Assembly of shareholders held on 30 June 2022 for a one year term expiring on the date of the annual Ordinary General Assembly meeting that will examine the accounts and activity of the year 2022.

The Ordinary General Assembly expected to be held in June 2023 will consider the election of a new Board of Directors for a new mandate.

The names of Directors[2] serving at the date of this report are the following:

Members	Independent (as per the Bank's Corporate Governance Guidelines[3])	Member of the Group Audit Committee	Member of the Board Group Risk Committee	Member of the Remuneration Committee	Member of the Compliance/ AML/CFT Board Committee	Member of the Corporate Governance and Nomination Committee
Mr. Samir N. HANNA *(Chairman)*						Chair •
Dr. Marwan M. GHANDOUR	•	Chair •		Chair •		•
Mr. Marc J. AUDI			•		•	•
Sheikha Mariam N. AL SABAH	•					
Dr. Imad I. ITANI	•				•	
Mr. Abdullah I. AL HOBAYB	•	•		•		
Dr. Khalil M. BITAR	•	•	Chair •	•		
Ms. Sherine R. AUDI			•		•	

Secretary of the Board

Dr. Farid F. LAHOUD
(Group Chief Compliance Officer and Corporate Secretary)

[2] Listed according to their dates of appointment (beyond the Vice-Chairmen).
[3] Definition of "Director independence" as per the Bank' s Governance Guidelines (summary):
"In order to be considered independent Director by the Board, a Director should have no relationship with the Bank that would interfere with the exercise of independent judgment in carrying out responsibilities as a Director. Such a relationship should be assumed to exist when a Director (him/herself or in conjunction with affiliates):
- *is occupying, or has recently occupied an executive function in the Bank or the Group;*
- *is providing, or has recently provided advisory services to the Executive Management;*
- *is a major shareholder (i.e. owns, directly or indirectly, more than 5% of outstanding Audi common stock), or is a relative of a major shareholder;*
- *has, or has recently had a business relationship with any of the Senior Executives or with a major shareholder;*
- *is the beneficiary of credit facilities granted by the Bank;*
- *is a significant client or supplier of the Bank;*
- *has been, over the 3 years preceding his appointment, a partner or an employee of the Bank's external auditor;*
- *is a partner with the Bank in any material joint venture.*

In addition to the above, the Board of Directors is satisfied with the ability of the independent Directors to exercise sound judgment after fair consideration of all relevant information and views without undue influence from Management or inappropriate outside interests."

Frequency of Meetings

In 2022, the Board of Directors held 6 meetings, the Group Audit Committee held 4 meetings, the Group Risk Committee held 4 meetings, the Remuneration Committee held 2 meetings, the Corporate Governance and Nomination Committee held 2 meetings, and the Compliance/AML/CFT Board Committee held 4 meetings.

Changes to The Board of Directors during the year 2022

During the year the 2022, no changes were brought to the composition of the Board of Directors.

Legal Advisors

Cortbaoui & Kanaan

Auditors

BDO, Semaan, Gholam & Co.

Ernst & Young p.c.c.

6.0. Biographies of Board Members

Samir N. Hanna

Chairman – General Manager
Group Chief Executive Officer

Age: 78 – Lebanon
Director since August 1990
Term expires at the 2023 annual General Assembly of shareholders
- Executive Director
- Chairman of the Corporate Governance and Nomination Committee

Samir Hanna is the Chairman and Chief Executive Officer of the Bank Audi Group. He joined Bank Audi in January 1963 and held several managerial and executive positions across various departments of the Bank. He was appointed General Manager of Bank Audi in 1986 and member of its Board of Directors in 1990. In the early 1990s, he initiated and managed the restructuring and expansion strategy of Bank Audi, transforming it into a strong banking group offering universal banking products and services including Corporate, Commercial, Retail, Investment, and Private Banking. He was elected Chairman of the Board of Bank Audi sal, succeeding Mr. Raymond Audi, on 10 April 2017.

Samir Hanna has served as member or Chair of the Boards of a number of subsidiaries of the Bank Audi Group including (i) member of the Board of Directors of Odea Bank A.Ş., Bank Audi's subsidiary in Turkey, from 2012 until 2021 (Chairman until November 2020), (ii) member of the Board of Directors of Banque Audi (Suisse) SA from 2011 until 2021, and (iii) member of the Board of Directors of Bank Audi sae (Egypt) from 2006 until 2020.

As Group Chief Executive Officer, he heads all aspects of the Bank's Executive Management.

Marc J. Audi

Board Member

Age: 65 – Lebanon
Director since March 1996
Term expires at the 2023 annual General Assembly of shareholders
- Non-executive Director
- Member of the Board Group Risk Committee
- Member of the Corporate Governance and Nomination Committee
- Member of the Compliance/AML/CFT Board Committee

Marc Audi serves as member of the Board of Directors since 1996, has been a General Manager since 2004, and has served as Lebanon Country Manager of the Bank Audi Group until June 2020.

Marc Audi started his banking career in 1981. He held several executive positions within the Bank Audi Group, in a number of countries including France, the USA (California), Switzerland and Lebanon. Throughout his career, he held executive responsibilities at group level, in Commercial Lending, in Capital Markets and in Private Banking (notably serving as General Manager of Banque Audi (Suisse) SA, the Private Banking arm of the Group, until 2005).

Marc Audi currently serves as Chairman of the Board of Directors of Banque Audi (Suisse) SA and Board member of several other affiliates of the Bank Audi Group.

Marc Audi holds a Master's of Business Administration from the University of Paris IX – Dauphine.

Marwan M. Ghandour

Board Member

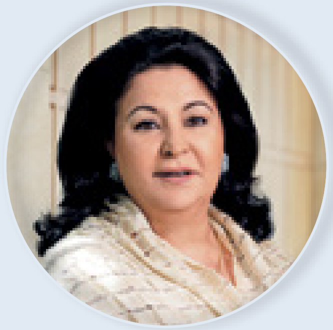
Age: 79 – Lebanon
Director since March 2000
Term expires at the 2023 annual General Assembly of shareholders
- Independent Non-executive Director
- Chairman of the Group Audit Committee
- Chairman of the Remuneration Committee
- Member of the Corporate Governance and Nomination Committee

Marwan Ghandour is an independent member of the Board of Directors since March 2000.

Marwan Ghandour is a previous Vice-Governor of the Central Bank of Lebanon. He held this position between January 1990 and August 1993, with primary responsibilities in the area of monetary policy. During this period, he was also a member of the Higher Banking Commission and various other government committees involved in economic policy. In this capacity, he liaised with renowned international institutions such as the International Monetary Fund (IMF), the World Bank and the Bank for International Settlements (BIS). From 1995 until July 2011, Marwan Ghandour served as Chairman and General Manager of Lebanon Invest sal, a leading financial services group in the region whose holding company merged with Bank Audi in 2000.

Since 2000, Marwan Ghandour has served as member or Chair of the Boards of a number of subsidiaries of the Bank Audi Group including (i) member of the Board of Directors of Odea Bank A.Ş., Bank Audi's subsidiary in Turkey, from 2012 until 2020 (Vice-Chairman until 31 December 2017), (ii) member of the Board of Directors of Bank Audi sae (Egypt) from 2006 until 2018, (iii) Chairman of the Board of Directors of Banque Audi (Suisse) SA from 2011 until 2015, and (iv) Chairman of the Board of Directors of Audi Investment Bank sal from 2005 until 2011.

Marwan Ghandour holds a PhD in Economics (Econometrics) from the University of Illinois (post-doctorate research at Stanford University).



Mariam N. Al Sabah

Board Member

Age: 74 – Kuwait
Director since March 2001
Term expires at the 2023 annual General Assembly of shareholders
- Independent Non-executive Director

Sheikha Mariam Al Sabah is the daughter of late Sheikh Nasser Sabah Al Nasser Al Sabah and the widow of late Sheikh Ali Sabah Al Salem Alm Sabah, who was the son of the former Prince of Kuwait and who held several ministerial positions in Kuwait, notably the Ministry of Interior.

Sheikh Nasser Al Sabah was one of the founders of Bank Audi. Sheikha Mariam Al Sabah is a member of the Board of Directors of several Kuwaiti companies. She is a member of the Board of Directors of Bank Audi since March 2001.

Imad I. Itani

Board Member

Age: 62 – Lebanon
Director since June 2002
Term expires at the 2023 annual General Assembly of shareholders
- Independent Non-executive Director
- Member of the Compliance/AML/CFT Board Committee

Imad Itani currently serves as an independent member of the Board of Directors of Bank Audi sal and Chairman of the Board of Directors of Odea Bank A.Ş., Bank Audi's subsidiary in Turkey.

Since joining Bank Audi in 1997, Imad Itani combined over 25 years of banking experience, axed on strategic implementation. During his tenure, he chaired and sat on the Board of Directors of several affiliates of the Bank Audi Group. He also headed the Group's Retail Banking and Islamic Banking business lines. Prior to Bank Audi, Imad Itani held for few years Corporate Finance positions in the energy sector. He is also a former lecturer in Economics and Finance.

Imad Itani holds a PhD in Economics from the University of Chicago.

Abdullah I. Al Hobayb

Board Member

Age: 81 – Saudi Arabia
Director since April 2010
Term expires at the 2023 annual General Assembly of shareholders
- Independent Non-executive Director
- Member of the Group Audit Committee
- Member of the Remuneration Committee

Abdullah Al Hobayb is an independent member of the Board of Directors since 2010. He is the Chairman of several leading companies in their respective fields in Saudi Arabia, comprising ABB Saudi Arabia, Ink Products Company Ltd, Philips Lighting Saudi Arabia, Manufacturers Trading Company Ltd, Arabian Co. For Electrical & Mechanical Works and Electrical Materials Center Co. Ltd. He is also the Chairman of Audi Capital (KSA) (an Investment Banking subsidiary of Bank Audi, incorporated in the Kingdom of Saudi Arabia) and was, until July 2014, a member of the Board of Directors of Bank Audi sae in Egypt and of Odea Bank A.Ş., Bank Audi's subsidiary in Turkey.

Abdullah Al Hobayb holds a Master's degree in Electrical Engineering from Karlsruhe University in Germany.

Khalil M. Bitar

Board Member

Age: 81 – Lebanon
Director since April 2010
Term expires at the 2023 annual General Assembly of shareholders
- Independent Non-executive Director
- Chairman of the Board Group Risk Committee
- Member of the Remuneration Committee
- Member of the Group Audit Committee

Khalil Bitar is an independent member of the Board of Directors since 2010. He is a former Professor of Physics and a former Dean of the Faculty of Arts and Sciences of the American University of Beirut (AUB). He held this last position from 1997 until 2009, playing an instrumental role in advocating AUB's strengths and regional position as the premier centre for higher education, and in re-establishing its PhD programs.

Throughout his career, he held several academic and administrative positions, including Associate Director of the Supercomputer Computations Research Institute – Florida State University (between 1994 and 1997) and visiting professor at leading academic institutes in Europe and North America (including the European Organisation for Nuclear Research in Geneva, the International Centre for Theoretical Physics in Italy, The Institute for Advanced Study in New Jersey, the Fermi National Accelerator Laboratory (Fermilab) in Illinois, the University of Illinois, Brookhaven National Lab. in New York, the Max Planck Institute in Munich, and the Rockefeller University in New York). He also served two mandates as member of The Institute for Advanced Study in Princeton, New Jersey, between 1968 and 1972.

Khalil Bitar has also served as (i) member of the Board of Directors of Audi Private Bank sal and the Chairman of its Risk Committee, and (ii) member of the Board of Directors of Audi Investment Bank sal and Chairman of its Risk Committee from March 2012 until November 2013, and as advisor to its Board for Risk Committee matters until the merger of both entities with Bank Audi sal in December 2020.

Khalil Bitar holds a Bachelor of Science degree in Physics from the American University of Beirut, a Master's of Science degree in Physics, and a PhD in Theoretical Physics from Yale University in the United States.

Sherine R. Audi

Board Member

Age: 62 – Lebanon
Director since April 2017
Term expires at the 2023 annual General Assembly of shareholders
- Non-executive Director
- Member of the Board Group Risk Committee
- Member of the Compliance/AML/CFT Board Committee

Sherine Audi is the non-executive Chairman of the Board of Directors of Bank Audi France sa, the French subsidiary of the Bank, and member of its Audit and Risk Committee.

She started her banking career in 1980 at Bank Audi France sa, now a fully owned subsidiary of Bank Audi sal. She held several positions there, including in credit, business development, operations and administration, while gradually climbing the corporate ladder. She was appointed Assistant General Manager of Bank Audi France in 1995, then Executive Director in 2000, and Director – General Manager from 2010 until 2022. In this capacity, she was in charge of the development and implementation of the strategy of Bank Audi France, as approved by the Board. She headed all the executive aspects of Bank Audi France's activity and drove its strategic transformations (including technological and regulatory ones) as required by the current market rules and practices. She also acted as the representative of Bank Audi France sa towards the French banking authorities and professional organisations. In September 2022, she resolved to relinquish her executive duties and was elected non-executive Chairman of the Board of Directors of Bank Audi France with effect starting on 1 January 2023.

Since December 2021, she also serves as Vice-chairman of the Chambre de Commerce Franco-Libanaise after having served as its treasurer since 2015.

Sherine Audi holds a diploma of Certified Director (by Sciences Po. Paris, jointly with the French Institute of Directors).

7.0. Remuneration Policy and Practices

1. The objective of the Policy is to establish coherent and transparent Compensation and Benefits practices in the Bank and the Group, that are consistent with the Bank's culture, business, long-term objectives, risk strategy, performance, and control environment, as well as with legal and regulatory requirements.

2. It is Bank Audi's policy to provide all employees of the Group with a comprehensive and competitive compensation package that is commensurate with each employee's position, grade and performance. Such performance is assessed on the following 3 performance criteria: key job responsibilities, SMART business goals, and behavioural competencies. Individual compensations are also linked to the achievement of objectives and are aligned with prudent risk taking. The compensation and benefits of control functions are determined in a way that preserves their objectivity and independence.

3. The aggregate consolidated amount of compensation and benefits paid by the Bank is included in the annual budget approved by the Board and is set in a way not to affect the Group's medium and long-term capacity to sustain such levels of compensation nor its financial position or its interests.

4. Core Compensation and Benefits include basic salary and performance-based bonus (in addition to a number of ancillary benefits including individual and family medical coverage, education allowances, and others).

5. There is currently no outstanding stock-related compensation. And there are no compensation arrangements encompassing claw backs or deferrals of payments, save for matters resulting from applicable laws and regulations. Amounts of compensation paid annually are disclosed in accordance with the International Financial Reporting Standards and with the provisions of Article 158 of the Lebanese Code of Commerce.

As reported in the Bank's financial statements, salaries, bonuses, attendance fees and other short-term benefits awarded to Key Management Personnel (as defined in Note 51 accompanying the financial statements) during the year 2022, amounted to LBP 16,523 million, in addition to post-employment benefits – Income statements aggregating LBP 608 million – and to post-employment benefits – Other comprehensive loss – aggregating LBP 1,313 million. Provision for end-of-service benefits of Key Management Personnel amounted to LBP 4,035 million as of 31 December 2022 (2021: LBP 4,740 million).

02

MANAGEMENT DISCUSSION & ANALYSIS

1.0. Overview of Bank Audi sal

Bank Audi sal ("Bank Audi") is a leading Lebanese banking group with a universal banking profile. Founded in 1830 in Sidon, Southern Lebanon, the Bank was incorporated in its present form in 1962 as a private joint stock company with limited liability ("société anonyme libanaise"). Bank Audi is registered in the Beirut Commercial Registry under number 11347 and in the Lebanese list of banks under number 56. The Bank is licensed by the Central Bank of Lebanon. The Central Bank of Lebanon is the lead supervisor of Bank Audi and its subsidiaries. Bank Audi's head office and registered address is Bank Audi Plaza, Omar Daouk Street, Bab Idriss, P.O. Box: 11-2560, Beirut, Lebanon.

Bank Audi offers universal banking products and services covering Corporate, Commercial, Individual and Private Banking services to a diversified client base, mainly in the MENA region. In addition to its historic presence in Lebanon, Switzerland and France, the Bank has continuing operations in Saudi Arabia, Qatar, Abu Dhabi (through a representative office) and Turkey.

The initial shareholders of the Bank were members of the Audi family, together with Kuwaiti investors. Today, the shareholder base comprises more than 1,500 holders of common shares and global depositary receipts (representing common shares), including individual investors, institutional investors and two supranational agencies: the International Finance Corporation ("IFC"), a member of the World Bank Group, and the European Bank for Reconstruction and Development. The Bank's common shares (ordinary shares and global depositary receipts) are listed on the Beirut Stock Exchange (the "BSE") (Ticker: Audi. BY and AUSR respectively).

Terms such as "Bank Audi", "the Bank" or "the Group" refer to Bank Audi sal and its consolidated subsidiaries. Terms such as: i) **Lebanese entities** consist of Bank Audi sal and other minor Lebanese entities excluding consolidation adjustments; ii) **Turkey** represents Odea Bank A.Ş.; iii) **Private Banking entities** consist of Banque Audi (Suisse) SA, Audi Capital (KSA), and Bank Audi Private Bank Holding ltd (Cyprus); and iv) **Other entities** consist of Bank Audi France sa, Bank Audi LLC (Qatar) and other European and MENA entities.

The dicussion and analysis that follows covers the consolidated performance of Bank Audi in the year 2022, based on the audited consolidated financial statements of the Bank for the fiscal years ended 31 December 2022 and 31 December 2021. The Bank's consolidated financial statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee and the general accounting plan for banks in Lebanon and the regulations of the Central Bank, the Banking Control Commission of Lebanon (the "Banking Control Commission" or "BCC") and the Capital Market Authority of Lebanon or "CMA", and include the results of the Bank and its consolidated subsidiaries as listed in Note 45 to the 2022 Financial Statements. Ernst & Young p.c.c. and BDO, Semaan, Gholam & Co. have jointly audited the annual financial statements.

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, which have reached unprecedented levels. As a result, 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, and significantly reduced credit lines to companies and cash withdrawals to private depositors, all of which have added to the disruption of the country's economic activity.

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

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

(a) Subsidising imports of essential goods at the rate of LBP 1,507.5 per USD, and subsidising imports of Tier 2 food basket products at the "Sayrafa" platform rate. Both subsidies were lifted in the second half of 2021.

(b) Introducing exceptional measures for bank depositors to withdraw small cash amounts in LBP from their "local" foreign currency bank accounts at the BdL 151 rate (first at LBP 3,900 per USD, then at LBP 8,000 per USD, and currently at LBP 15,000 per USD), 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.

(d) Effective 1 February 2023, the official exchange rate was increased to LBP 15,000 per USD.

The Crisis has also resulted in a market wide differentiation between onshore assets and offshore assets, foreign currency bank accounts that are subject to unofficial capital controls and those that are not, onshore liabilities and offshore liabilities. The need to differentiate is mostly due to the difference in the perceived real economic value. Hence the following new terms came about in the Lebanese market: "local Dollars accounts" to designate local US Dollars bank accounts that are subject to unofficial capital controls, and "fresh 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 subsequent to the outset of the financial crisis).

Notwithstanding, and 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, which are translated from Lebanese Pounds at the closing of the official exchange rate published by the Central Bank of Lebanon (1,507.5 as of each of 31 December 2021 and 2022), in line with IAS 21 due to the lack of an alternative legal exchange mechanism. Consequently, the financial statements do not reflect the change of disclosures required by IAS 29 which applies for hyperinflationary economies since the existence of a wide range of FX rates prevailing on the market and the absence of forthcoming revamping of the official peg make it difficult to proceed with such adjustments, especially when it comes to the valuation of monetary assets and liabilities. For avoidance of doubt, such translations do not differentiate between onshore or offshore assets. References to foreign currency translation differences reflect the movement of functional currencies in the countries in which the Bank has a presence against the US Dollar.

On 18 February 2021, the Bank submitted to the Central Bank of Lebanon a roadmap that broadly sets outits strategy for the years 2021-2024, detailing its action plan in the face of the Crisis while addressing the requirements of BdL Basic Circular 154 and Intermediate Circular number 567. This roadmap is based on a number of assumptions that remain highly susceptible to material change depending on the evolution of the financial, monetary and operating conditions in Lebanon. It is hence implicit that 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 has obtained regulators' formal approval on the aforementioned measures on 7 May 2021.

Meanwhile, the political and economic conditions in Lebanon remain highly challenging till date, excacerbated by the continued absence of: i) a government reform plan, ii) an IMF Program that will allow to unlock other international funds, iii) a parliament-approved capital control and banking restructuring and financial rebalancing laws, and iv) filling the governance vaccum (extending to the President, government and other govermental bodies). To note that an initial draft of the capital control law was endorsed in the parliamentary committees. Due to the aforementioned high levels of uncertainties, Management is unable to estimate in a reasonable manner or within a reasonable timeframe the adverse impact of the aforementioned matters on the Bank's financial position and equity which it anticipates to be material.

Within this context, Bank Audi continues to exert extended efforts to consolidate its financial position and reinforce its financial standing by (a) strengthening its capitalisation, (b) building up its offshore liquidity and reducing its commitments and contingencies to correspondent banks and financial institutions outside Lebanon, (c) managing operating profitability, and (d) enhancing the quality of its private loans portfolio, deleveraging it as appropriate and downsizing its balance sheet.

Certain statements in the MD&A constitute "forward-looking statements". These statements appear in a number of sections in this document and include statements regarding the Bank's intent, belief or current expectations, or those of the Bank's Management with respect to, among other things: the Bank's results of operations, financial condition and future economic performance; its competitive position and the effect of such competition on its results of operations; trends affecting the Bank's financial condition or results of operations; the Bank's business plans, including those related to new products or services and anticipated customer demand for these products or services and potential acquisitions; the Bank's growth and investment programs and related anticipated capital expenditure; the Bank's intentions to contain costs, increase operating efficiency and promote best practices; the potential impact of regulatory actions on the Bank's business, competitive position, financial condition and results of operations. These forward-looking statements can be identified by the use of forward-looking terminology such as "believes", "expects", "may", "is expected to", "will", "will continue", "should", "approximately", "would be", "seeks", or "anticipates", or similar expressions or comparable terminology, or the negatives thereof. Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results. Many factors could affect the Bank's actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. The Bank does not undertake to update any forward-looking statements made herein.

Lebanon's economic and banking data are derived from the International Monetary Fund, the Central Bank of Lebanon, various Lebanese governmental entities and the Bank's internal sources. The region's economic and banking data are derived from the International Monetary Fund, the Economist Intelligence Unit, Bloomberg, the region's central banks and the Bank's internal sources.

This discussion and analysis starts with an overview of the Bank's strategy, followed by a review of the operating environment and a comparative analysis of the Group's financial conditions and results of operations for the periods ended 31 December 2022 and 31 December 2021. An overview of share information and dividend policy comes next, followed by risk management, resources deployed, compliance and corporate social responsibility.

2.0. Strategy

The Bank operates principally in Lebanon and accordingly, its financial condition, results of operations and business prospects are closely related to the overall political, social and economic situation in the country. The Group also operates in Europe, Turkey and the MENA region where banking activity is in turn, tied to the political situation in those regions amid challenging operating environment globally with financial conditions tightening worldwide, driven by an energy crisis and continued supply chain challenges .

Since October 2019, Lebanon has been facing a series of crises: economic, financial, banking, political and social, compounded by the COVID-19 pandemic and the explosion of the Beirut port on 4 August 2020 (the "Crisis"). As of the date of this report, visibility on actions to address this Crisis remains elusive. In light of the prevailing market uncertainties, any financial projection related to the Bank's future business model is extremely difficult to make.

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 recorded in the Bank's financial statements based on BdL guidelines issued on February 2020. These loss allowances, set at very low levels, are widely considered to represent an insufficient reflection of the underlying risks of those assets. Should an adjustment become necessary, the impact is expected to be pervasive.

- As a result of the negative economic conditions and the deepening recession, the credit quality of the loan portfolio will remain subject to pressure in the near future.

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

- Management has concerns about the effects that the above matters will have on the equity of the Group and the recapitalisation needs that will arise once the necessary adjustments are determined and recorded.

Due to the high levels of uncertainties, the lack of observable indicators, the high gap between the parallel market rates, the "Sayrafa" rate, the BdL Basic Circular 151 rate and the official published exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of banks with the Central Bank of Lebanon, (b) 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, which it anticipates to be quite material.

By common local and international consensus, to exit this challenging crisis, Lebanon needs:

i) A credible and comprehensive macro-financial reform program to address, among others, the systemic failure of the financial and banking sectors caused by the Crisis.
ii) An IMF program that will allow to unlock other international funds.
iii) A parliament-approved capital control and banking restructuring and financial rebalancing laws, and
iv) filling the governance vacuum (extending to the President, government and other governmental bodies).

So far, an initial draft of the capital control law was endorsed in the parliamentary committees. While this law still requires full parliamentary approval, this remains subject to the approval of banking restructuring and financial rebalancing laws, which have not to date been formally submitted to parliament (a financial rebalancing law draft is being debated in the committees but with no formal government backing as of yet). The financial rebalancing law draft is critical as it is responsible for setting conditions for so-called loss allocation criteria.

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.

On this backdrop, Management has been actively pursuing, since the outset of the Crisis, 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 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.

Below is a list of these pillars, highlighting their significance in practice:

1. **Asset Quality:** structurally enhancing the quality of the Group's balance sheet by (1) sustaining the loan deleveraging policy, (2) maintaining adequate loss allowances coverage, (3) closely monitoring the lending portfolios while taking early remedial actions on problematic files, and (4) significantly reducing sovereign debt exposure, especially in foreign currency.

2. **Quality of Earnings**: involving extending efforts across entities to attract low cost and stable funding, while maintaining relationships with good profile obligors with consistent and recurring returns and ancillary revenues. The end result is for foreign entities to continue to provide the Group with diversified income generation capacity. In Lebanon, efforts are exerted to develop offshore revenue sources. A special focus is set on further rationalisation of operating expenses targeting a lean organisational structure by improving operational efficiency and optimising cost structure.

3. **Liquidity and ALM**: creating an important buffer allowing absorbing turbulences.

4. **Solvency**: in order to maintain sufficient capital buffers over the minimum regulatory capital adequacy levels, allowing the Group to support the management of potential non-performing exposures caused by the prevailing Crisis.

5. **Operational and other Non-financial Risks**: enhancing the management of Operational, Compliance, Legal, Conduct, Cyber, Strategic and third-party risks while constantly updating business continuity plans to counteract any disruption in business activities due to new and emerging risks.

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

The general aim of implementing this policy revolves around reinforcing the Bank's financial standing to allow the Group to navigate through the alternating challenges of the upcoming transitory period. In 2022, a particular focus was put on hedging the Bank's capital against the official LBP devaluation to stand at LBP 15,000 per USD 1 starting 1 February 2023, while reducing significantly the FX open position.

Management is currently actively working on identifying the most salient strategic opportunities and challenges going forward for the Bank in Lebanon in the prevailing tough operating environment, as well as in a post recovery setting. The ultimate goal consists in positioning the Bank to weather the prevailing Crisis in the best possible shape and be ready to efficiently resume activity growth and business expansion as and when the challenges alleviate.

3.0. Operating Environment

Following the significant 33% contraction in real GDP in the first two years of the Crisis, Lebanon is back to a slightly positive real GDP growth in 2022. BdL and the government announced a 2% real GDP growth for the past year.

The analysis of real sector indicators show that out of 17 real sector indicators, 11 were up this year, involving port activity, airport activity, number of tourists, cement deliveries, construction permits, the number of car sales and imports. Maybe the 40% growth in imports over the past year is a proof of the improving domestic demand, in addition to the effects of global inflation (19% of imports growth is due to imported inflation and 21% is due to improving domestic demand). Imports actually amounted to USD 19.0 billion in 2022, very close to the USD 19.2 billion recorded in 2019 prior to the Crisis.

The touristic season was particularly strong in 2022 with 50% more tourists this summer relative to last summer, while flight and hotel reservations were close to full for the Christmas holiday period. Remittance inflows amounted to USD 6.8 billion in 2022, against USD 6.4 billion in 2021, growing by 7% year-on-year. A large number of companies are increasingly paying salaries in fresh dollars, which is supporting consumption.

Of course, the economy is far from bridging the gap created over the past two years, which requires deep reforms, IMF agreement and international assistance to ultimately lessen the huge socio-economic pressures on households.

At the monetary level, the Lebanese Pound continued its downward spiral against the US Dollar on the black FX market in 2022, reaching new historical lows of LBP/USD 43,300 at year-end as compared to LBP/USD 27,500 at end-2021, despite all exceptional measures adopted by the Central Bank of Lebanon to curb currency swings, a Staff-level Agreement reached with the IMF last April, and the historic maritime border agreement signed last October. This is mainly explained by a darkened domestic political outlook, a multilayered political vacuum, a large expansion in money circulation, a continuous FX reserves burn, while BdL completely freed the "Sayrafa" platform from the burdens of financing gasoline imports.

At the banking sector level, banking sector statistics for 2022 suggest a lower contraction in customers' deposits relative to the one reported in the previous year, a continuing deleveraging of banking sector loans to the private sector, a further contraction in banks' Eurobond portfolio, and an additional retreat in shareholders' equity amid persistent bank losses. Shareholders' equity went down to USD 18.3 billion at end-December 2022, bearing in mind that they had reached a peak of USD 20.6 billion in October 2019 at the onset of the Crisis. The drop in equity is the result of banks' net losses over the period. Losses are related to FX costs to the surge in operating expenses as a result of inflation, and to the significant provisions against private and public sector risks at large.

With respect to capital markets, performance was uneven in 2022. On the equity market, the BSE continued to register strong price gains of 37% in 2022 amid investor tendency to avoid haircuts on their financial placements, noting that equity prices are denominated in domestic US Dollars. At the level of the Eurobond market, sovereign prices plunged deeper into the red amid a protracted institutional void that is expected to delay an agreement on crisis resolution and much needed reforms, in addition to bets of low recovery rates below 20%.

Looking forward, the country seems on a crossroad: either recovery or collapse.

In case of a positive political-economic scenario, the economic and social pressures will start to ease and the country will begin to recover from its acute depression to register circa 5% of real GDP growth and an inflation rate of less than 30% amid relative stability in the exchange rate. Such a positive scenario revolves around the election of a new President as soon as possible, and the formation of a credible and efficient cabinet, followed by a full fledge agreement with the IMF on the basis of the Staff-level Agreement reached last April, after meeting the prior actions to secure the approval of the Fund's Board of Directors. This scenario would be reinforced in the medium and long-term with the prospects of gas production (especially with the completion of the maritime border demarcation), which improves Lebanon's external position, its fiscal deficit, and its economic prospects at large.

As for the adverse scenario, it supposes that a status-quo would continue to prevail, hinging upon the lingering postponement of presidential elections, a persisting cabinet formation gridlock, the absence of reforms, and the failure to meet IMF requirements and to reach a final program with the Fund. This scenario would lead to deepened economic recession with negative real GDP growth, a severe currency collapse amid dwindling foreign exchange reserves, a large LBP money creation, hyperinflation in consumer prices, and severe socio-economic pressures on Lebanese households.

Between the two scenarios rises the Medium scenario, based on the election of a President, the formation of a new cabinet, yet with no implementation of reforms, no conclusion of a final agreement with the IMF and inconclusive results for gas exploration. Within this scenario, economic and monetary results for 2023 suggest a real GDP growth close to that of last year, i.e. in the vicinity of 2%, an inflation rate of 80%, a slight decline in BdL reserves and a moderate balance of payments deficit.

In light of this paradox, it is hoped for that political authorities would rise above their narrow interests, foster their common grounds, reduce differences and bickering, and embark onto settlement and reforms.

Lebanon's Major Economic Indicators

(USD Million)	2021	2022	Var 22/21
Macro economy			
Real GDP growth	-7.0%	2.0%	-
Monetary sector			
Var M3	682	18,900	-
Velocity	0.27	0.29	7.4%
Cleared checks	36,418	37,434	2.8%
CPI inflation (end-period, %)	283.3%	109.7%	-173.6%
Public sector			
Gross domestic debt(*)	61,861	60,477	-2.2%
Foreign debt(*)	38,515	41,337	7.3%
Total gross debt(*)	100,377	101,814	1.4%
External sector			
Imports	13,641	19,054	39.7%
Exports	3,887	3,493	-10.1%
Trade deficit	9,754	15,561	59.5%
Balance of payments	-1,960	-3,197	63.1%
Banking sector			
Var: Total assets	-13,219	-5,767	-56.4%
% change in assets	-7.0%	-3.3%	3.7%
Var: Total deposits	-9,671	-3,751	-61.2%
% change in deposits	-7.0%	-2.9%	4.1%
Var: Total credits	-8,453	-7,664	-9.3%
% change in credits	-23.4%	-27.7%	-4.3%

(*) 2021 figures as per the World Bank, 2022 figures as per the Central Bank of Lebanon.
Sources: World Bank, Central Bank of Lebanon, and concerned public and private entities.

4.0. Consolidated Financial Condition and Results of Operations

4.1. Business Overview in 2022

The Bank's consolidated activity and results continue to be in line with those observed over the past couple of years, heavily marked by persisting challenges in the operating conditions, particularly in Lebanon and Turkey, the Group's two principal markets.

In Lebanon, the political and economic conditions remain till date highly challenging, excacerbated by the continued absence of the reform pack unanimously requested by local and international parties to address the severe impact of the financial crisis prevailing since October 2019. Those shortcomings continue to exacerbate the deep confidence crisis in the Lebanese banking system, forcing banks to impose a number of restrictions and limitations with respect to the withdrawal of funds and transfers abroad, as a necessary substitute to the much needed Capital Control law.
However, the end of the year 2022 was also marked by a couple of hopeful prospects, namely:

- The adoption by the Lebanese parliament, on 18 October 2022, of Law 306, effectively modifying the 66 years old banking secrecy law, a motion requested in the reform plan proposed by the IMF.

- The execution, on 7 October 2022, of the maritime border demarcation agreement between Israel and Lebanon which represents a historic transition point and a vital step towards securing stability. This was followed by the announcement, on 12 December 2022, by Total Energies of the launch of drilling operations in Block 9 during the first quarter of 2023.

- The unveiling, in the fourth quarter of 2022, by the Ministry of Energy of the recruitment process for the selection of Board members of the Electricity Regulatory Authority, which is also on the IMF's reform plan's agenda. Subsequently, Electricité du Liban implemented, starting November 2022, new increased tariffs (for the first time since 1994) while shyly increasing electricity supply. These steps forewarn of a gradual recovery of EdL, which represented a major burden on public finances.

Because of those developments, the country seems on a crossroad, either to recovery or collapse, amid persisting significant challenges which are hindering to a great extent the Group's business activity in its core market, Lebanon.

Turkey, the second principal market of presence of the Group, registered increased political and economic volatility following an increasingly challenging operating environment globally, translating into a tightening of financial conditions worldwide with Turkey's main export markets in Europe facing a slowdown in growth amid an energy crisis and continued supply chain challenges. Subsequently, Turkey's economy registered a gradual slowdown in 2022, triggering a series of measures taken by the government and the Central Bank of Turkey to deal with the financial and currency crisis that have been besetting the country for a couple of years now. In 2022, the Turkish Lira continued to follow an overall depreciatory path, reaching a 28% depreciation versus the USD, translating into a material negative translation impact of banking aggregates when measured in USD counter-value. Notwithstanding the highly challenging conditions, Odea Bank, on a stand-alone and in Turkish Lira basis, has posted a resilient performance in 2022, supported by sustainable results, outpacing the performance of privately-owned deposit banks during the same period. The Bank continued to consolidate its financial position, with the NPL ratio improving to the lowest level achieved since 2018, at 5.0% as at end-December 2022, while posting healthy profitability ratios.

On this backdrop, the Bank's direction in 2022 revolved around:

1. Implementing the adopted six going concern pillars.
2. Implementing a digital banking solution in Lebanon, "neo", to support the quality of earnings.
3. Adapting quickly and agilely to the numerous regulatory changes affecting the banking sector in the countries of presence, mainly in Lebanon and Turkey.

1- Implementing the Six Going Concern Pillars

During 2022, the Bank continued to exert efforts towards the implementation of its six going concern pillars directions. Particular focus was put on hedging its capital base and improving its quality of earnings while preserving the accumulated offshore liquidity and facing heightened non-financial risks in the absence of a Capital Control law. In what follows, we list key achievements secured at those levels:

A. Solvency: the most significant achievement at this level is the sizeable reduction of the Bank's FX open short position. During the course of 2022, the Bank accelerated its efforts to reduce the said position to stand at a short position of USD 150 million, from a peak of USD 2 billion as at end-December 2020. Nonetheless, the reduction of the FX open position came with a cost of USD 2,873 million (LBP 4,331 billion when translated at the prevailing official exchange rate of LBP 1507.5 per USD) accumulated over the years 2021 and 2022 which could represent, at first glance, a considerable burden on equity. However, if such a reduction was not made in the context of the adoption of the new official exchange rate of LBP 15,000 per USD as of early February 2023, a mark-to market hit at the new official rate would have resulted in a cost higher by 3.15 times, reaching LBP 13,668 billion instead of the LBP 4,331 billion actually incurred, underscoring the generation of savings by LBP 9,337 billion. The implementation of this direction has also allowed to ensure a better positioning in terms of capital adequacy ratios, reporting significantly higher levels than those that would have been reported without this FX reduction. In parallel, the Bank was able to reduce its trading position by USD 769 million at no cost to stand at circa USD 218 million as at end-December 2022.

The reduction of the FX open position was met with the introduction of a number of regulatory changes impacting capital as per BdL Intermediary Circulars 649 and 659 issued in the fourth quarter of 2022 and allowing banks:

1. To include within CET1 50% of the gain of revaluations on its real estate assets valued in "fresh" dollars and converted into LBP at the prevailing "Sayrafa" rate. Within that scope, and in line with accounting standards and internal policy, the Bank booked directly in equity, gains from revaluation of real estate properties amounting to LBP 6,711 billion. This represents a valuation of the real estate properties of the Bank by USD 198 million translated at the then prevailing "Sayrafa" rate of LBP 38,000 per USD, net of the applicable 5% tax.

2. To exclude under CET1, exceptionally in 2022 and 2023, accumulated losses resulting from the purchase of local dollars from the Central Bank of Lebanon against Lebanese banks banknotes made prior to 17 November 2022 for the purpose of reducing their open net FX short positions. In 2022, 66% of these losses were allowed to be excluded in CET1 while a maximum level of 33% is to be applied in 2023.

These above-mentioned forbearance measures, in particular the inclusion of the gains on revaluation of real estate assets, contributed to partially offset the negative impact of the one-off losses accumulated during the year. As a result, CET1, Tier 1 and total capital adequacy ratio stood at 6.33%, 8.86% and 9.81% respectively as at end-December 2022, above the minimum regulatory levels of 5.25%, 6.75% and 8.75% applicable in 2022 (including a capital conservation buffer of 0.75%). Capital ratios have nonetheless dropped from a CET1 of 10.04%, a Tier 1 capital ratio of 12.89% and a total capital adequacy ratio of 14.52% as at end-December 2021. Undeniably, the forbearance measures provide a temporary relief before the anticipated negative impact caused by the application of the new official exchange rate in translating FCY-denominated risk-weighted assets.

B. Quality of Earnings: given the aforementioned challenges in main markets of presence, particularly in Lebanon, Bank Audi had to redefine its business model to support the quality of its earnings by optimising sources of revenues. In Lebanon, Bank Audi sal has endeavoured to develop its capacity for generating core earnings in international "fresh" dollars by actively promoting the account in fresh US dollars. Revenues and net profits generated from this product have been increasing substantially. In 2022, Bank Audi sal generated USD 52 million (fresh) in total revenues (interest income and commissions) compared to USD 23 million in 2021. The Bank has managed to acquire the highest market share in terms of fresh business, reaching 20%. This is mainly due to the consistency in the quality of service offered and the commitment to clients through adapted product offering, customer servicing and transparent communication.

On this backdrop, and given that the traditional banking intermediation activity continues to be impeded by the prevailing financial crisis, Transactional Banking, characterised by an increased commissions generation propensity, is fast becoming a main source of revenue for the Bank in Lebanon amid the prevailing operating environment. Transactional Banking income has doubled since 2020 (at the prevailing market rate) and is now contributing to 73% of the total customers' income (compared to clients' net financial income). The "fresh accounts" activity constitutes 84% of the Transactional Banking income today.

In parallel and in common with entities operating in severe crisis mode under hyperinflationary pressures, the Bank adopted, early on in the Crisis, a cost optimisation policy in Lebanon which translated into a reduction of the general operating expenses of Bank Audi Lebanon from USD 372 million in 2018 to stand at a mere USD 50 million when translated in "fresh dollars" terms in 2022. Annual staff expenses for entities operating in Lebanon amounted to USD 22 million (of which 51% are paid in "fresh" USD).

All the above 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, supporting Management's decision to reinforce sustainable core revenues streams in "fresh dollars". In absolute terms, Bank Audi registered USD 33 million of net profits in "fresh" in 2022 compared to USD 16 million in 2021.

Nonetheless, as the ratio of staff expenses to average staff reaches a low of USD 16 thousands (down from USD 70 thousands in 2018) and ranks in the lower spectrum of countries with similar GDP per capita, Management is fully aware that the Bank's cost base is not sustainable at this level, particularly in the prevailing high inflationary environment. Accordingly, a correction will have to be made at some point in order to sustain and retain the human capital. Hence, further promoting Transactional Banking becomes essential to help offset the impact of the anticipated increase in the cost base.

Along those lines, the Bank considered a number of Digital Banking solutions and opted to follow the "neo" bank scheme involving building an end-to-end digital bank with no branches on digital platforms, in line with global trends and international standards, to provide customers with more convenience, allowing them to benefit from services embedded in the digital customer journey, while enabling cost effectiveness and profitability for the Bank. This direction has been supported by the fact that over the past 3 years, the Bank's operation in Lebanon has reduced by 80% and its income by 63% while its number of customers decreased by only 17%, implying a large clientele base that generates negligible income. The aforementioned changes in the demographics of the customer base dictated the optimisation of the operating model whereby traditional banking would focus primarily on high and medium net worth customers, as well as corporate and commercial clients. In line with global trends, the remaining customers, of which mass and millennials, would be migrated to this new operating model which offers a compelling banking proposition at low cost. The service starts with a digital onboarding and extends to all digital payments with an end-to-end digital back office with a simple offering. Mutual benefits for the customer and bank alike have been identified, namely improving the customer experience, removing barriers and capitalising on the payroll and mass market, scaling the acquisition of new clients, reducing dependency for physical network, and reducing fraud risk. This new solution will also help promote financial inclusion as the digital on-boarding is expected to break barriers, paving the way for the unbanked community to have access to low cost banking services.

In parallel, the Group exerted efforts in 2022 to reinforce a sustainable earnings generation from its entities operating abroad. Those efforts bear results, as the contribution of foreign entities to consolidated profits increased by 45% during the year, reaching USD 51 million in 2022 compared to USD 35 million in 2021 (excluding discontinued operations). Odea Bank's contribution reached USD 48.5 million (compared to USD 12.1 million in 2021).

C- Off-shore Liquidity: 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 918 million as at end-December 2022, compared to USD 876 million as at end-December 2021. Relative to other Lebanese banks, this level represents a strong international position representing circa 30% of available free international liquidity in FCY in the Lebanese banking sector. Net of the external accounts deposits in same currencies, net free liquidity in FCY reaches USD 538 million as at end-December 2022.

Earlier in 2022, the Bank devised to convert the USD 347 million subordinated debt maturing in 2023 into new unsecured subordinated notes under Lebanese law, the 2022 subordinated notes, that include 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). This measure contributes to effectively relieve pressure on the Bank's liquidity in FCY.

D- Operational and 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. So far, an initial draft of the Capital Control law was endorsed in parliamentary committees. While this law still requires full parliamentary approval, it also remains subject to the approval of banking restructuring and financial rebalancing laws, which to date has yet to be submitted formally to parliament.

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

In addition, money laundering accusations were recently made against the Chairman and a member of the Board of Directors of the Bank, as well as officers of other Lebanese banks by the same Public Prosecutor of Mount Lebanon which was acting beyond her jurisdiction. The illegality of Prosecutor Ghada Aoun's actions was confirmed by H.E. the Prime Minister Designate of Lebanon in a letter to the Ministry of Interior dated 22 February 2023, denouncing the actions taken by the said Prosecutor in total violation of the law, and requested H.E. the Minister of Interior to instruct all Internal Security Forces – General Directorate not to execute any decision or order made by the Mount Lebanon District Public Prosecutor in relation with the above accusations. H.E. the Minister of Interior has already sent such a communique as requested by H.E. the Prime Minister. Given the fact that the case is now said to be sent to the Judge of Instruction, we hope that the proper proceeding and handling of such case will be followed and will lead to its dismissal for the total lack of legal grounds.

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

2- Bank Audi's Response to Major Regulatory Requirements in Lebanon in 2022

Since 17 October 2019, Lebanon, the Group's principal market, witnessed a fiscal, economic, monetary and political crisis, unprecedented in scope and scale, which has affected the entire Lebanese banking sector, creating major disruptions in the activity. Within this context, regulatory authorities in Lebanon were compelled to issue some exceptional guidelines/circulars aiming at reinforcing the financial standing of banks operating in Lebanon in the face of those adverse developments. More than 100 BdL circulars and announcements, Banking Control Commission memos, and Capital Markets Authority announcements were issued during 2021 (48 regulations) and 2022 (60 regulations). These frequent regulatory requirements, sometimes subject to changes within a short time frame, have translated in increased operational risks. Within the context of changing operating environment, the latter have caused heightened implementation challenges requiring rapid system developments/updates, new processes and additional training to employees. Notwithstanding, Bank Audi has endeavoured to comply promptly with all regulatory directives.

A list of the key regulations issued is included in Note 1 of the enclosed audited financial statements. In what follows, we list the most recent regulations issued at the time of the preparation of this discussion, in February 2023, while highlighting the implementation status:

- BdL Intermediary Circular 656 requesting non-resident clients (individuals and offshore companies) to settle their local loans in "fresh" foreign currency. Implementation is underway, however a number of technical challenges relating to the identification of non-residents and cleansing of related data is being resolved.
- BdL Intermediary Circular 657 related to BdL 151 "Exceptional measures concerning cash withdrawals from foreign currency bank accounts", amending the rate at which clients can withdraw "local dollars" from their accounts (15,000 LBP per USD instead of 8,000 LBP per USD), as well as the monthly withdrawal ceiling which is lowered to USD 1,600 instead of USD 3,000.
- BdL Intermediary Circular 658 related to BdL 158 "Exceptional measures for the gradual withdrawal of deposits in foreign currencies", amending the rate at which clients can withdraw their monthly USD 400 portion at LBP 15,000 per USD instead of LBP 12,000 per USD.

- BdL Intermediary Circular 659 requesting banks to gradually liquidate their short open FX positions (as at 31/12/2022) over a period of 5 years (without exceeding 80% in 2023, 60% in 2024, 40% in 2025, 20% in 2026 and zero % in 2027). Circular 659 also requested banks not to distribute dividends for the years 2019 till 2022, and allowed the incorporation of 50% (instead of 100%) of the gains resulting from the revaluation of the Bank's real estate properties, in Common Equity Tier 1 capital. As mentioned earlier, the Bank has already implemented this requirement by significantly closing its short FX open position, while including in CET1 50% of the gains from revaluation of fixed assets translated at the prevailing "Sayrafa" rate. Moreover, following the proposal of the Board of Directors, the Ordinary General Assembly is expected to approve a non-distribution of common and preferred dividends for the 2022 exercise. Similar decisions have been taken for the 2021, 2020 and 2019 exercises.

4.2. Consolidated Financial Overview in 2022

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 the evolution of main indicators.*

The evolution of the Group's financial position, results of operations and business prospects is closely related to the overall political, social and economic situation in its countries of presence, particularly in Lebanon. As a result of the prolonged Lebanese Crisis and the absence of much needed reforms, the financial position of the Group does not reflect the adjustments that would be required by IFRS. Management is unable to estimate in a reasonable manner or within a reasonable timeframe the adverse impact of these adjustments on the Bank's financial position and equity which it anticipates to be material.

Based on the official exchange rate as published by the Central Bank of Lebanon as at end-December 2022 and 2021 (USD 1 = LBP 1,507.5), consolidated assets of Bank Audi were stable during 2022, standing at USD 26.9 billion as at end-December 2022 and at end-December 2021. A detailed flow analysis at the funding side reveals that this seemingly stable evolution is the factor of various flows. On the one hand, consolidated equity increased by USD 1.5 billion in 2022, an evolution driven by the inclusion of the USD 4.5 billion of surplus gains of revaluation of real estate properties booked at the prevailing "Sayrafa" rate, which has offset one-off costs tied to the Crisis booked directly in equity. The increase in consolidated equity was, on the other hand, met with a repayment of borrowings from BdL amounting to USD 557 million, of which USD 491 million denominated in foreign currencies. This is to be added to the USD 274 million impact of the conversion of the subordinated debt and the subsequent exercise of the put option by the holders and a contraction of consolidated deposits across entities by USD 720 million over the same period.

A similar flow analysis on the consolidated assets side reveals, on the one hand, an increase in the gross value of fixed assets by USD 4.7 million, which is met by a USD 2.8 billion decrease in the consolidated exposure to central banks (of which USD 2.2 billion to Banque du Liban within USD 641 million reversal of present value of future cash flow with BdL), a USD 806 million contraction of consolidated loans due to continued deleveraging and the impact of TRY devaluation.

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

Summarised Statement of Financial Position

(USD Million)	Dec-21	Dec-22	Change in Volume Dec-22/Dec-21	%
Cash & placements with banks and central banks	14,412	11,634	-2,778	-19.3%
Portfolio securities	5,712	5,535	-177	-3.1%
Loans to customers and related parties	4,743	3,937	-806	-17.0%
Other assets	1,555	707	-848	-54.5%
Fixed assets	435	5,113	4,678	1076.6%
Assets = Liabilities + Equity	26,857	26,926	69	
Bank deposits	2,758	2,234	-524	-19.0%
Customers' deposits and related parties	20,101	19,381	-720	-3.6%
Subordinated debt	817	546	-271	-33.2%
Other liabilities	689	748	59	8.6%
Shareholders' equity (profit included)	2,492	4,017	1,525	61.2%
AUMs + fid. dep. + cust. acc.	8,365	7,573	-792	-9.5%
Assets + AUMS	35,222	34,499	-723	-2.1%

Consolidated assets under management, including fiduciary deposits and custody accounts, stood at USD 7.6 billion as at end-December 2022, down from USD 8.4 billion as at end-December 2021, representing a decrease by USD 792 million. By entities, USD 521 million of this decrease is accounted for by Banque Audi (Suisse), USD 166 million by Audi Capital (KSA), and USD 289 million by Bank Audi sal, totally offsetting an increase in AuMs at Odea Bank by USD 144 million. By type, the decrease in consolidated AuMs is mostly accounted for by assets under management contracting by USD 973 million over the period, impacted by market conditions, of which a decrease by USD 679 million in Switzerland with the remainder representing decreases in AuMs booked in Lebanon and KSA by USD 281 million and USD 163 million respectively. In parallel, consolidated fiduciary deposits increased by USD 181 million, the vast majority of this increase being booked at Banque Audi (Suisse). Subsequently, the aggregate of consolidated assets and AuMs, including fiduciary deposits, custody accounts and AuMs, reached USD 34.5 billion at end-December 2022, compared to USD 35.2 billion as at end-December 2021, underscoring a contraction by 2.1%.

Breakdown by Geography

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	Dec-22	Change	Dec-21	Dec-22	Change	Dec-21	Dec-22	Change
By region									
Lebanon	71.7%	75.8%	4.1%	71.9%	74.9%	3.0%	41.7%	37.9%	-3.8%
Abroad	28.3%	24.2%	-4.1%	28.1%	25.1%	-3.0%	58.3%	62.1%	3.8%

In 2022, the share of Lebanese entities in consolidated assets and deposits was been steadily increasing. 75.8% of consolidated assets was accounted for by Lebanese entities (including consolidation adjustments), 13.7% by Odea Bank in Turkey, and 5.9% by Private Banking entities, with the remaining 4.6% contributed by other entities (Bank Audi France and Bank Audi LLC (Qatar) predominantly). This is compared to 71.7%, 15.3%, 8.0% and 5% respectively as at end-December 2021. Lebanese entities also accounted for 74.9% of consolidated deposits compared to 71.9% as at end-December 2021. In parallel, Odea Bank's share in consolidated deposits moved from 14.1% as at end-December 2021 to 13.6% as at end-December 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 year.

Conversely, at the level of consolidated net loans, the share of Lebanese entities decreased from 41.7% of consolidated net loans to 37.9% as at end-December 2022, with the share of Odea Bank in the total moving from 37.6% as at end-December 2021 to 38.1% as at end-December 2022. This evolution highlights Odea Bank's current direction, after following a strict deleveraging strategy over the past 5 years, to resume lending selectively within the context of a continued net contraction in the loan book of Lebanese entities as a result of the significant collective efforts undertaken since the beginning of the Lebanese Crisis to date. New lending at Odea Bank is mostly limited to TRY loans extended to specific credit-worthy customers among the core clientele of the Bank.

Breakdown by Currency

As mentioned earlier, the Bank's consolidated financial statements do not reflect the change of disclosures required by IAS 29 which applies for hyperinflationary economies as a result of the persisting crisis in Lebanon and the ensuing unofficial capital controls, the multitude of exchange rates, the hyperinflation, and the potential repercussions of government reform measures. Nonetheless, based on those various parameters, 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. The need to differentiate is mostly due to the difference in the perceived real economic value. Hence the new terms in the Lebanese market, such as "local dollars or lollars" to designate local US Dollar bank accounts that are subject to unofficial capital controls, and "fresh 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).

The table below highlights a breakdown of consolidated assets, deposits and loans by currency as at end-December 2022 compared to end-December 2021, while differentiating foreign currency stocks between Lollar accounts and fresh accounts:

Breakdown by Foreign Currency – Local vs "Fresh"

	2022				
		FCY			
(USD Million)	LBP	o.w. Lollars(*)	o.w. Fresh(**)	Total FCY	Total LBP & FCY
Loans and advances to customers and related parties	1,158	327	2,452	2,779	3,937
Total assets	8,722	10,712	7,493	18,204	26,926
Deposits from customers and related parties	3,605	10,582	5,194	15,776	19,381

	2021				
		FCY			
(USD Million)	LBP	o.w. Lollars(*)	o.w. Fresh(**)	Total FCY	Total LBP & FCY
Loans and advances to customers and related parties	1,308	655	2,780	3,435	4,743
Total assets	7,182	11,334	8,341	19,675	26,857
Deposits from customers and related parties	2,893	11,219	5,989	17,207	20,101

	Change 2022-2021 in %				
		FCY			
	LBP	o.w. Lollars(*)	o.w. Fresh(**)	Total FCY	Total LBP & FCY
Loans and advances to customers and related parties	-11.4%	-50.1%	-11.8%	-19.1%	-17.0%
Total assets	21.4%	-5.5%	-10.2%	-7.5%	0.3%
Deposits from customers and related parties	24.6%	-5.7%	-13.3%	-8.3%	-3.6%

(*)Onshore assets and liabilities in foreign currencies subject to unofficial capital controls in Lebanon.
(**)Offshore assets and liabilities in foreign currencies not subject to capital controls in Lebanon.

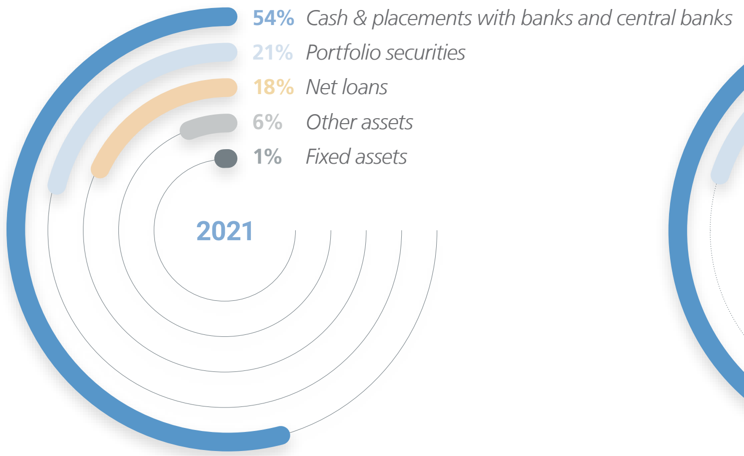
Lebanese Pounds (LBP) are translated to US Dollar at the closing official exchange rate (LBP 1507.5/USD 1) published by the Central Bank of Lebanon across those dates, in line with IAS 21 due to the lack of an alternative legal exchange mechanism.

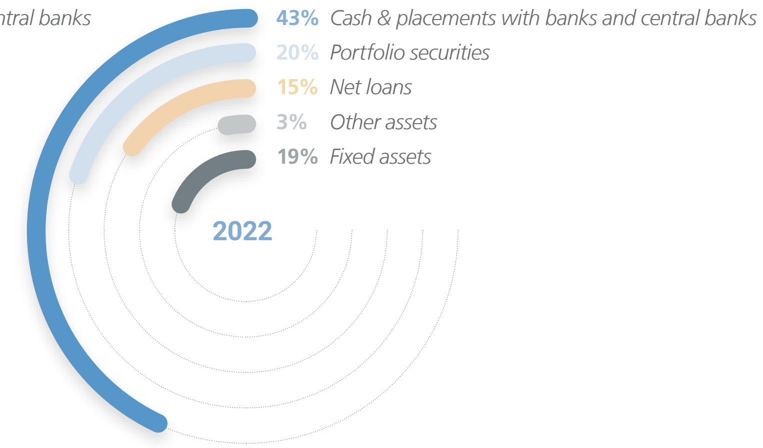
4.2.1. Asset Allocation by Type

Consolidated assets allocation in 2022 reflect in priority the limiting effect that the negative developments in Lebanon and Turkey has had on business opportunities within a significant contribution of the gains on the revaluation of fixed assets booked at the prevailing "Sayrafa" rate towards the end of the year 2022.

The following charts set out the allocation by asset class as at end-December 2022 as compared to end-December 2021. Amid a stable evolution of consolidated assets across those dates, the latter gains have contributed to a shift in the asset allocation structure, while continuing to be skewed in priority towards cash and placements with banks and central banks, which account for close to 43% of total uses as at end-December 2022 compared to 54% as at end-December 2021. This is within an increase in the share of fixed assets in consolidated uses from 1% as at end-December 2021 to 19% as at end-December 2022.

Assets Breakdown





A comparative analysis of asset classes relative to consolidated customers' deposits as at end-December 2022 compared to end-December 2021 shows a further decrease in the loans to deposits ratio to the advantage of placements with central banks and banks. The Bank's consolidated loans to deposits ratio contracted from 23.6% as at end-December 2021 to 20% as at end-December 2022, with the decrease justified by a faster decrease in consolidated net loans (-17%) than in consolidated customers' deposits (-3.6%) over the year. In parallel, portfolio securities represented 28.6% of customers' deposits as at end-December 2022, as compared to 28.4% as at end-December 2021, while the Bank's consolidated placements with central banks and banks (excluding certificates of deposit issued by the Central Bank) represented 60.0% of consolidated customers' deposits as at end-December 2022, as compared to 71.7% as at end-December 2021.

4.2.1.1. Changes in Placements with Central Banks and Banks

The Bank's consolidated placements with central banks and banks (comprised principally of cash, as well as amounts held at central banks *(including free accounts and compulsory reserves and excluding certificates of deposit issued by the Central Bank of Lebanon)*, placements with banks and loans to banks and reverse repurchase facilities with central banks and financial institutions) contracted by 19.3%, from USD 14.4 billion as at end-December 2021 to USD 11.6 billion as at end-December 2022. The USD 2.8 billion decrease underscores a decrease in deposits placed at central banks by USD 3.1 billion, totally offsetting the increase in placements with banks by USD 282 million during the year.

The following table sets out the breakdown of those placements by type and by currency as at end-December 2022:

Placements with Central Bank and Banks (Excluding CDs)

(USD Million)	LBP	USD	EUR	TRY	OTHERS	TOTAL
Cash and placements with Central Banks	789	7,638	839	61	161	9,489
o.w. Reserves requirements	637	1,693	9	-	-	2,339
o.w. Cash deposits	152	5,945	830	61	162	7,150
Placements with banks	-	1,405	182	412	146	2,145
o.w. Deposits with banks	-	1,405	182	268	146	2,001
o.w. Loans to banks and financial institutions and reverse repurchase agreements	-			144		144
Total Placements	789	9,043	1,021	473	307	11,634

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 from USD 2.4 billion as at end-December 2021 to a low of USD 789 million as at end-December 2022, registering a contraction by USD 1.6 billion over the period. The decrease reflects predominantly a contraction in cash deposits placed at the Central Bank of Lebanon by USD 1.9 billion over the period, totally offsetting an increase in reserve requirements on LBP deposits by USD 226 million. Adjusting to the USD 560 million of Treasury bills placements maturing in January 2022 and which would have increased cash deposits, the latter would have contracted in 2022 by circa USD 2.4 billion, underscoring the magnitude of the efforts undertaken by Management to reduce its FX short position and hedge its equity denominated in foreign currencies.

The increase in reserve requirements in LBP by USD 226 million is justified by an increase in customers' deposits denominated in Lebanese Pounds by USD 712 million over the period. As a result, the ratio of placements with central banks and banks in Lebanese Pounds to deposits denominated in Lebanese Pounds dropped noticeably, reaching 21.9% as at end-December 2022, from 83.4% as at end-December 2021. When adding certificates of deposit issued by BdL in Lebanese Pounds amounting to USD 17 million as at end-December 2022, total placements with the Central Bank in LBP would reach a mere USD 806 million as at end-December 2022, representing 22.4% of consolidated customers' deposits in LBP.

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 banks. The Bank's placements with central banks and banks in foreign currencies decreased by USD 1.2 billion in 2022, moving from USD 12.0 billion as at end-December 2021 to USD 10.8 billion as at end-December 2022.

Within an increase in placements with banks by USD 283 million, placements with central banks and banks in foreign currencies decreased by USD 1.4 billion, driven by a decrease in free deposits placements with central banks in foreign currencies by USD 1.2 billion and a decrease in reserve requirements in foreign currencies by USD 195 million.

In absolute terms, placements with central banks denominated in foreign currencies amounted to USD 8.7 billion as at end-December 2022, down from USD 10.1 billion as at end-December 2021, with cash deposits denominated in foreign currencies decreasing from USD 8.2 billion as at end-December 2021 to USD 7.0 billion as at end-December 2022. Cash deposits in foreign currencies with the Central Bank of Lebanon decreased in parallel by USD 1.9 billion to stand at USD 8.7 billion as at end-December 2022. Placements with central banks denominated in foreign currencies represented 55.1% of consolidated customers' deposits foreign currency as at end-December 2022 compared to 58.9% as at end-December 2021.

In parallel, placements with correspondent banks in foreign currencies increased by USD 282 million during the year, from USD 1.9 billion as at end-December 2021, accounting for 10.8% of foreign currency-denominated deposits at the same date to stand at USD 2.1 billion as at end-December 2022, representing 13.6% of foreign currency-denominated deposits.

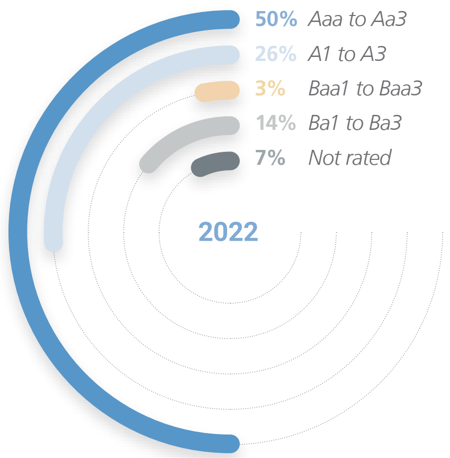
Since the outset of the Crisis, Bank Audi implemented a set of measures to strengthen the Bank's foreign currency international liquidity including but not limited to markup transactions, capital increase, sale of foreign entities, and upstreaming dividends from foreign entities. From almost an inexistent level at the outset of the Crisis, the Bank's free liquidity denominated in foreign currencies, including cash notes, has grown to circa USD 918 million as at 21 January 2023. Relative to other Lebanese banks, this level represents a strong international position accounting for circa 30% of available free international liquidity in foreign currencies in the Lebanese banking sector. Net of external accounts deposits in same currencies, net free liquidity in foreign currencies stands at USD 538 million at the same date.

The Bank's free international liquidity in foreign currencies net of all scheduled and committed payments as at 21 January 2023 represented 7.8% of total FCY deposits, largely exceeding the 3% regulatory minimum requirement as per the Central Bank of Lebanon's Basic Circular 154.

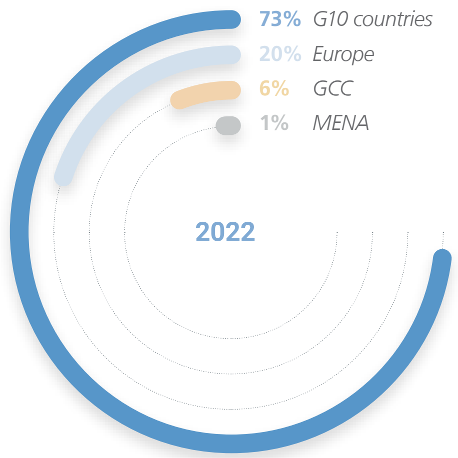
Those placements are mainly based in low risk OECD and GCC countries that show high levels of solvency and financial and monetary stability. 76% of the placements (excluding reverse repo agreements) denominated in foreign currencies are held in banks rated A3 or better.

The charts below set out the breakdown of money market placements held with banks (excluding reverse repo agreements) as at end-December 2022 by rating and geographic location:

Breakdown of Placements with Banks by Rating in 2022



Breakdown of Placements with Banks by Region in 2022



Justified mostly by a slower contraction of consolidated customers' deposits, the ratio of the Bank's placements with central banks and banks in foreign currency to consolidated customers' deposits in foreign currencies decreased from 69.7% as at end-December 2021 to 68.7% as at end-December 2022.

4.2.1.2. 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, Lebanese sovereign bonds denominated in USD, non-Lebanese sovereign bonds, other fixed income instruments and equity securities.

The Bank's securities portfolio contracted in 2022 by USD 177 million or 3.1%, to stand at USD 5.5 billion as at end-December 2022, compared to USD 5.7 billion as at end-December 2021. 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	Dec-22	Vol.	%
Central Bank of Lebanon certificates of deposit	**2,562**	**2,264**	**-298**	**-11.6%**
LBP-denominated	94	17	-77	-81.9%
Foreign currency-denominated	2,468	2,247	-221	-8.9%
Net Lebanese Treasury bills and Eurobonds	**1,875**	**1,474**	**-401**	**-21.4%**
LBP-denominated	1,929	1,360	-569	-29.5%
Foreign currency-denominated	-54	114	168	-311.2%
Risk-ceded government Eurobonds	**67**	**11**	**-56**	**-83.5%**
LBP-denominated				
Foreign currency-denominated	67	11	-56	-83.5%
Other non-Lebanese sovereign securities	**747**	**1,164**	**417**	**55.8%**
TRY	327	523	196	59.9%
USD	346	518	172	49.8%
EUR	74	123	49	66.2%
Other fixed income securities	**401**	**508**	**107**	**26.6%**
LBP-denominated				
Foreign currency-denominated	401	508	107	26.6%
Equity securities	**59**	**114**	**55**	**93.3%**
LBP-denominated	13	14	1	7.6%
Foreign currency-denominated	46	100	54	117.3%
Total portfolio securities	**5,712**	**5,535**	**-177**	**-3.1%**

Lebanese Bonds and Central Bank Certificates of Deposit Portfolio

Certificates of deposit issued by the Central Bank of Lebanon decreased by USD 298 million, broken down over a decrease by USD 221 million for the certificates of deposit issued by the Central Bank of Lebanon denominated in foreign currencies to be added to a decrease in certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds by USD 77 million. Subsequently, the certificates of deposit issued by the Central Bank of Lebanon in foreign currencies contracted to USD 2.2 billion as at end-December 2022, representing 40.6% of the total securities portfolio, from USD 2.5 billion as at end-December 2021 (43.2% of total securities).

Adding the Bank's placements in foreign currencies at the Central Bank (including cash deposits), the gross exposure to the Central Bank of Lebanon in foreign currencies would stand at USD 10 billion as at end-December 2022 compared to USD 10.5 billion as at end-December 2021. This is Net of an ECL of USD 194.6 million taken on this exposure as per regulatory requirement (1.89%) which remained unchanged across the period. Netting the Bank's borrowing from the BdL in foreign currencies, the Bank's net exposure (net of ECLs) to the Central Bank of Lebanon would stand at USD 10 billion as at end-December 2022, almost the same level as at end-December 2021. In Lebanese Pounds, the Bank's gross exposure to the Central Bank of Lebanon reaches USD 0.8 billion as at end-December 2022 compared to USD 2.4 billion as at end-December 2021, In parallel, dues to the Central Bank on the liability side, amounted to USD 1,613 million as at end-December 2022. Those are nonetheless linked to Lebanese Treasury Bills booked under financial assets under amortised cost.

In parallel, Treasury bills denominated in Lebanese Pounds also decreased across those dates by USD 569 million, representing mostly Treasury bills maturing in January 2022 to stand at USD 1.4 billion as at end-December 2022, representing 24.6% of the total securities portfolio.

The Group's exposure to Lebanese sovereign Eurobonds net of ECLs, including the risk-ceded government bonds, increased in 2022 following Management's decision, starting the month of July 2021, to purchase RoL Eurobonds based on an opportunistic approach, given the depressed market valuations of these bonds potentially offering investors an attractive upside potential in a post-restructuring era. Hence, the exposure to Lebanese sovereign Eurobonds net of ECLs including the risk-ceded government bonds stood at USD 125 million as at end-December 2022, compared to USD 14 million as at end-December 2021. The Bank is currently booking those securities in "fresh" USD at market value when held in the trading portfolio, while in local USD when instruments are held in the amortised cost portfolio.

Non-Lebanese Sovereign Securities

The Bank's non-Lebanese sovereign risk increased by USD 416 million in 2021, from USD 747 million as at end-December 2022 to USD 1,164 million as at end-December 2022. Non-Lebanese sovereign securities mostly represent exposure to the Turkish sovereign, denominated in Turkish Lira, increasing by USD 196 million over the same period to stand at USD 523 million as at end-December 2022 and justified by the Group's sizeable operation in this market. The latter exposure expressed in USD increased by USD 257 million in 2022 in real terms 97%, the variance justified by the negative FX translation impact of the devaluation of the Turkish Lira versus the US Dollar across the period. Non-Lebanese sovereign exposure denominated in USD increased in parallel by USD 172 million to reach USD 518 million as at end-December 2022 compared to USD 346 million as at end-December 2021. The remaining non-Lebanese sovereign exposure are denominated in Euro. They increased by the equivalent of USD 49 million during 2022 to stand at USD 123 million as at end-December 2022. In aggregate, these represent placements by all the Group's entities in sovereign securities rated B+ or better, in line with the Group's overall risk tolerance/appetite.

In relative terms, the Bank's portfolio of non-Lebanese sovereign bonds represented 21.0% of the total securities portfolio as at end-December 2022 compared to 13.1% as at end-December 2021. It also represents 7.4% of foreign currency-denominated customers' deposits as at end-December 2022, 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 107 million in 2022, from USD 401 million as at end-December 2021 to USD 508 million as at end-December 2022. This is due to the acquisition of additional corporate bonds and the increase of instruments categorised under "loans and advances to customers at fair value through P&L". The portfolio is now less concentrated on banks and financial institutions issuers which represent 57.3% of the total portfolio compared to 73% as at end-December 2021, while corporate issuers accounted for 16.6% (compared to 9.6% as at end-December 2021) and the remaining 26.1% (compared to 17.4% as at end-December2021) represented instruments categorised under "loans to customers at fair value through P&L". The largest non-governmental international bonds are denominated in TRY and rated AAA. Exposure to these bonds amounted to USD 63.7 million as at end-December 2022, representing 12.5% of the total portfolio.

IFRS Classification of Portfolio Securities

The classification of the securities portfolio over the various asset classes is a factor of the business model used by each of the Group's entities for managing the financial assets, as well as of the contractual cash flow characteristics of the financial assets. All assets are initially measured at fair value plus, and in the case of financial assets not valued at fair value through profit or loss, the specific transaction cost. Assets are subsequently measured at amortised cost, or other comprehensive income or fair value.

The table below sets out the distribution of the Bank's securities portfolio by asset class and currencies as follows:

Portfolio Securities by Asset Class

(USD Million)	Dec-21	Dec-22	Vol.	%
Financial assets held at FVTPL	107	170	63	59.4%
LBP-denominated	-	-		
Foreign currency-denominated	107	170	63	58.8%
Financial assets designated at fair value through OCI	773	685	-88	-11.4%
LBP-denominated	13	14	1	0.0%
Foreign currency-denominated	760	671	-89	-11.8%
Financial assets classified at amortised cost	4,832	4,680	-152	-3.1%
LBP-denominated	2,022	1,377	-645	-31.9%
Foreign currency-denominated	2,810	3,303	493	17.6%
TOTAL PORTFOLIO SECURITIES	5,712	5,535	-177	-3.1%
LBP-denominated	2,036	1,391	-645	-31.7%
Foreign currency-denominated	3,676	4,144	468	12.7%

As at end-December 2022, financial assets classified at amortised cost continued to represent the vast majority of the portfolio with a share of 84.5%, the same level as at end-December 2021. The share of financial assets designated at fair value through OCI decreased to 12.4% as at end-December 2022, relative to 13.5% as at end-December 2021 while financial assets held at fair value through profit or loss accounted for the remaining 3.1% (1.9% as at end-December 2021).

The following table sets out the distribution of financial assets classified at amortised cost by type of security, as at end-December 2022 as compared to end-December 2021, and underscoring a stable structure across dates:

Distribution of Financial Assets Classified at Amortised Cost by Type

(USD Million)	Dec-21	Dec-22	Vol.	%
Central Bank of Lebanon certificates of deposit	2,562	2,265	-297	-11.6%
Net Lebanese Treasury bills and Eurobonds	1,874	1,463	-411	-21.9%
Risk-ceded government Eurobonds	67	11	-56	-83.8%
Other non-Lebanese sovereign securities	139	587	448	323.5%
Other fixed income securities	190	354	164	86.5%
Financial assets classified at amortised cost	4,832	4,680	-152	-3.2%

4.2.1.3. Loan Portfolio

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

Lebanese Entities

In 2022, the net loan portfolio of Lebanese entities has contracted by the equivalent of USD 486 million, to reach USD 1,493 million as at end-December 2022 (based on the official exchange rate as published by the Central Bank of Lebanon USD 1 = LBP 1507.5 across the period). This decrease is mainly justified by the settlement of loans and the collection efforts implemented in line with the de-risking strategy adopted since the start of the Lebanese Crisis. The decrease is partially offset by an increase in loans denominated in Lebanese Pounds, underscoring the selective granting of lending in LBP to strategic clients operating in defensive sectors.

Analysis of Loans by Currency

As at end-December 2022, the breakdown of net loans of Lebanese entities by currency shows that 21% of those loans are booked in "local dollars", compared to 69% pre-crisis (i.e. at end-September 2019), while the remainder are denominated in Lebanese Pounds. No loans have been extended in "fresh dollars".

Analysis of Loan Quality

Stage 2 loans of Lebanese entities decreased by 67% during 2022, contracting in absolute terms by USD 213, partly due to collection efforts, but also to the downgrade of two corporate Stage 2 clients to Stage 3 (USD 165 million). Subsequently, and since one of the downgraded clients was already provisioned at 55% (i.e. USD 46.7 million), the ECL allowances on Stage 2 loans decreased by USD 56 million in 2022.

Despite the new entries in Stage 3 (USD 165 million) during 2022, credit-impaired loans of Lebanese entities stayed nearly at the same level as at end-December 2021 due to collection efforts, and stood at USD 567 million as at end-December 2022. The coverage ratio of the credit-impaired loans remained almost the same: 73.5% as of end-December 2022 compared to 72.1% as at end-December 2021.

The evolution of the Stage 3 ratio, however, was negatively impacted mainly by the shrinkage of the total loan portfolio (Stage 1 loans decreased by USD 472 million, of which USD 319 million in the retail portfolio), representing 29.1% of gross loans compared to 21.7% as at end-December 2021.

Loan Quality(*)

Lebanese Entities

(USD Million)	Dec-21	Dec-22	Change Dec-22/Dec-21
Credit-impaired loans	572	567	-5
o.w. Corporate	395	435	40
o.w. Retail	177	132	-45
Net loans	1,979	1,493	-486
o.w. Corporate	1,348	1,131	-217
o.w. Retail	631	362	-269
Allowance for ECL Stage 3	413	416	3
o.w. Corporate	266	296	30
o.w. Retail	147	120	-27
Allowance for ECL Stages 1 & 2	247	39	-208
o.w. Corporate	152	14	-138
o.w. Retail	95	25	-70
Credit-impaired loans/Gross loans	21.7%	29.1%	7.4%
o.w. Corporate	22.4%	30.2%	7.8%
o.w. Retail	20.3%	25.9%	5.6%
Net credit-impaired loans/Gross loans	6.1%	7.8%	1.7%
o.w. Corporate	7.3%	9.7%	2.4%
o.w. Retail	3.5%	2.3%	-1.2%
Credit-impaired loans coverage	72.1%	73.5%	1.4%
o.w. Corporate	67.3%	67.9%	0.6%
o.w. Retail	82.7%	91.0%	8.3%
Allowance for ECL Stages 1 & 2/Net loans	12.5%	2.6%	-9.9%
o.w. Corporate	11.3%	1.3%	-10.0%
o.w. Retail	15.1%	7.0%	-8.1%

(*) As per IFRS 9.

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

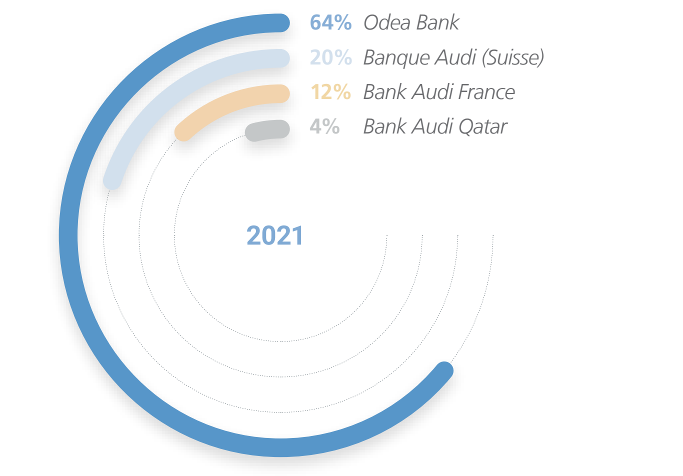
- The loan portfolio witnessed a decrease during the past 3 years, mainly in loans denominated in foreign currency due to settlement of loans.
- The majority of the loans is currently denominated in Lebanese Pound representing 77% of the total net loans.

This justifies the witnessed release of USD 79 million of general provisions previously allocated to Stage 1 clients.

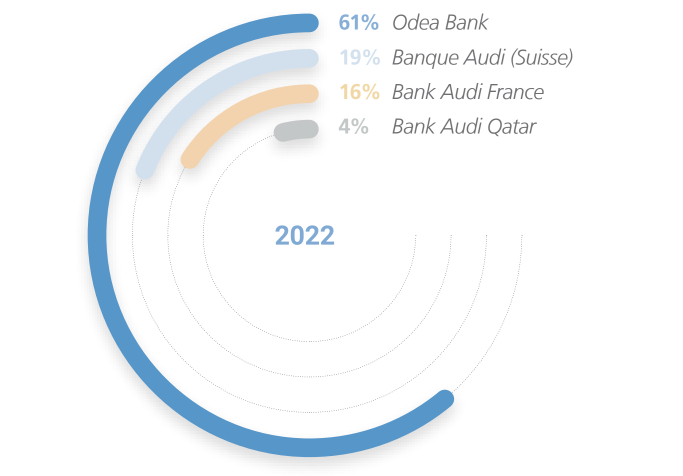
Entities Operating outside Lebanon

A breakdown of the net loan portfolio of entities operating outside Lebanon by geography as at end of 2022 reveals that 61 % were booked in Odea Bank (Turkey), 19% in Banque Audi (Suisse), 16% 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-December 2022



The total net loan portfolio of entities operating outside Lebanon decreased by 12% or USD 320 million during 2022, standing at USD 2.44 billion as at end-December 2022 compared to USD 2.76 billion as at end-December 2021. The decrease stems mainly from a decrease in Odea Bank by USD 282 million, mainly driven by settlement of loans denominated in foreign currencies and the impact of the devaluation of the Turkish Lira versus the USD by 28% during the year, which has offset the registered growth of loans denominated in Turkish Lira reaching TRY 4.0 billion.

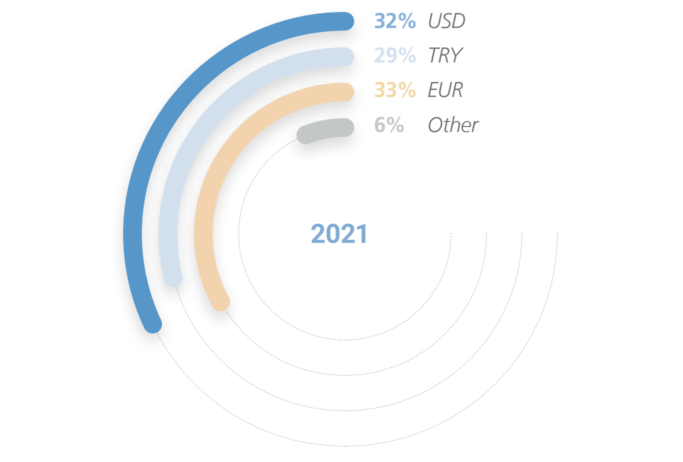
Analysis of Loans by Currency

The dominant currencies of total net loans of entities operating outside Lebanon remain the USD, the EUR and the TRY, with their shares aggregating to 94% at end-December 2022.

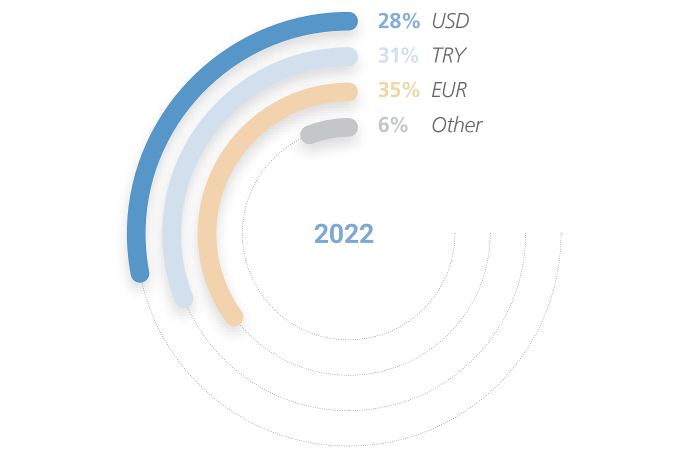
However, it is worth noting that the share of loans denominated in foreign currencies dropped in Odea Bank from 54% at end-December 2021 to 49% at end-December 2022, the lowest level since the establishment of the subsidiary. This corresponds to a contraction of loans denominated in foreign currencies by USD 237 million over the period, underscoring the continuous efforts of Odea Bank to lend in local currency and convert/settle loans denominated in foreign currencies.

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

Breakdown of Net Loans & Advances in Entities Operating outside Lebanon by Currency Entities as at End-December 2021



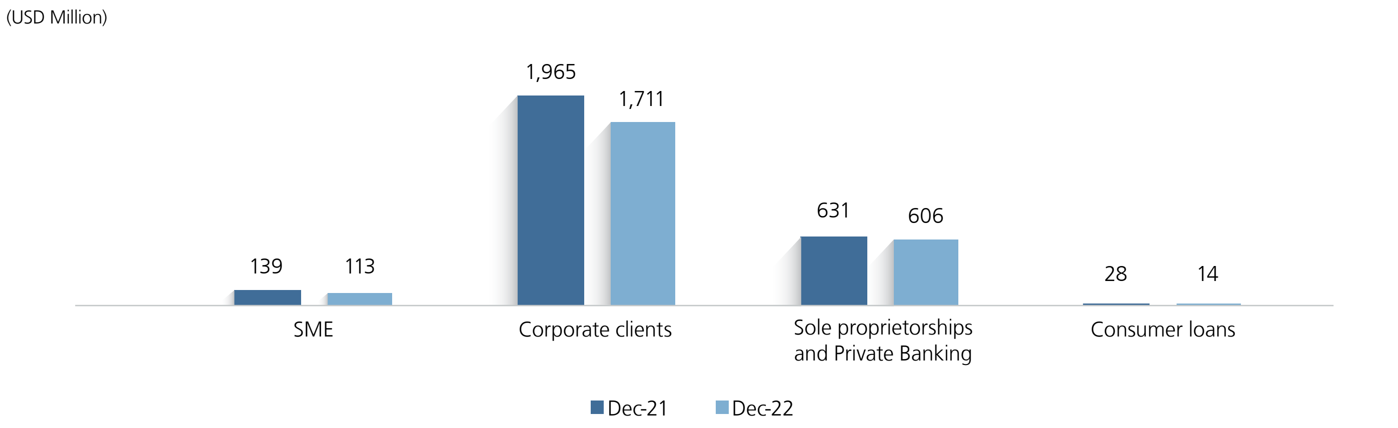
Breakdown of Net Loans & Advances in Entities Operating outside Lebanon by Currency Entities as at End-December 2022



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-December 2022 (compared to 71% as end-December 2021), followed by the Sole Proprietorship and Private Banking segment representing 25% 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 developers and real estate services that represented 20% of the total portfolio as at December 2022 compared to 22% as at end-December 2021. Management continues to prioritise the contraction of the exposure in those sectors, deemed risky with a decrease of USD 112 million in absolute terms during the year. Loans to the manufacturing sector increased in parallel by USD 28 million in 2022, to represent 19% of the total loan portfolio as at end-December 2022, while loans to Private Banking customers (mainly in Banque Audi (Suisse)) decreased by USD 95 million over the same period, to also stand at 19% of the total loan portfolio as at end-December 2022.

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

	Dec-21		Dec-22	
(USD Million)		%		%
Manufacturing industries	446	16%	474	19%
Private Banking	562	20%	467	19%
Developers & real estate services	600	22%	488	20%
Hotels and restaurants	265	10%	236	10%
Electricity, gas and water	190	7%	144	6%
Wholesale trade	137	5%	169	7%
Other loans	563	20%	466	19%
Total	2,763	100%	**2,444**	**100%**

Analysis of Loans by Maturity

An analysis of the evolution of the loan book of entities operating outside Lebanon by maturity shows that the USD 320 million decrease in those net loans achieved in 2022 is mainly attributed to long-term facilities (decreasing by USD 289 million) and medium-term facilities (declining by USD 207 million) amid an increase in short-term facilities by USD 177 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 53% as at end-of December 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-December 2022 compared to end-December 2021.

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

	Dec-21		Dec-22	
(USD Million)		%		%
Short-term facilities	1,111	40%	1,288	53%
Medium-term facilities	459	17%	252	10%
Long-term facilities	1,193	43%	904	37%
Total	2,763	100%	2,444	100%

Analysis of Loans by Type of Collateral

As at end-December 2022, 49% 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-December 2022 as compared to end-December 2021:

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

	Dec-21		Dec-22	
(USD Million)		%		%
Secured	1,242	45%	1,200	49%
Cash co. & bank guarantee	*254*	*9%*	*259*	*11%*
Real estate mortgage	*645*	*23%*	*598*	*24%*
Securities (bonds & shares)	*319*	*12%*	*322*	*13%*
Vehicles	*24*	*1%*	*21*	*1%*
Corporate or personal guarantees	1,018	37%	852	35%
Unsecured	504	18%	392	16%
Total	2,763	100%	2,444	100%

Analysis of Loan Quality for the 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-December 2022 as compared to end-December 2021 for entities operating outside Lebanon:

Entities Operating outside Lebanon

(USD Million)	Dec-21	Dec-22	Change Dec-22/Dec-21
Credit-impaired loans	174	**103**	**-71**
o.w. Corporate	165	100	-65
o.w. Retail	9	3	-6
Net loans	2,763	**2,444**	**-319**
o.w. Corporate	2,736	2,430	-306
o.w. Retail	27	14	-13
Allowance for ECL Stage 3	86	**54**	**-32**
o.w. Corporate	81	52	-29
o.w. Retail	5	2	-3
Allowance for ECL Stages 1 & 2	**114**	82	**-32**
o.w. Corporate	114	82	-32
o.w. Retail	-	-	-
Credit-impaired loans/Gross loans	**5.9%**	4.0%	**-1.9%**
o.w. Corporate	5.6%	3.9%	-1.7%
o.w. Retail	27.8%	20.4%	-7.4%
Net credit-impaired loans/Gross loans	**3.0%**	1.9%	**-1.1%**
o.w. Corporate	2.9%	1.9%	-1.0%
o.w. Retail	13.0%	7.3%	-5.7%
Credit-impaired loans coverage	**49.1%**	52.2%	**3.1%**
o.w. Corporate	48.8%	52.3%	3.5%
o.w. Retail	53.3%	64.4%	11.1%
Allowance for ECL Stages 1 & 2/Net loans	**4.1%**	3.4%	**-0.7%**
o.w. Corporate	4.2%	3.4%	-0.8%
o.w. Retail	0.1%	0.0%	-0.1%

(*) As per IFRS 9.

Stage 2 exposure dropped by USD 282 million, mainly coming from Odea Bank (USD 270 million) as a result of the settlement/conversion and classification upgrade of loans. Hence, the Stage 2 ratio improved to reach 16% of gross loans as at end-December 2022, down from 24% as at end-December 2021.

Credit-impaired loans of entities operating outside Lebanon decreased by USD 72 million, mainly driven by a devaluation effect on Odea Bank's Stage 3 loans portfolio which is entirely 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 1.9% to reach 4% as at end-December 2022 (down from 5.9% at end-December 2021).

4.2.2. Funding Sources

Funding sources of Bank Audi sal continue to be predominantly driven by private customers' deposits. As at end-December 2022, consolidated deposits represented 72.0% 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 8.3%, 2.0% and 2.8% as at end-December 2022 compared to 10.3%, 3.0% and 2.6% as at end-December 2021. In parallel, consolidated shareholders' equity expanded by USD 1.5 billion, moving from USD 2.5 billion as at end-December 2021 to USD 4 billion as at end-December 2022, a movement justified by the booking of gains on the revaluation of fixed assets at the prevailing "Sayrafa" rate, offsetting some of the one-off losses increased due to the crisis. Subsequently, the share of shareholders' equity in total funding increased from 9.3% as at end-December 2021 to stand at 14.9% as at end-December 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	Dec-22	Vol.	%
Central Bank's deposits	2,351	1,814	-537	-23%
Time deposit	*2,212*	*1,633*	*-579*	*-26%*
Repurchase agreements	*139*	*181*	*42*	*30%*
Banks' deposits	407	420	13	3%
Sight deposits	*113*	*138*	*25*	*22%*
Time deposits	*269*	*249*	*-20*	*-7%*
Repurchase agreements	*25*	*33*	*8*	*32%*
Customers' and related parties' deposits	20,101	19,381	-720	-4%
Sight deposits	*10,344*	*10,246*	*-98*	*-1%*
Time deposits, saving accounts and certificates of deposit	*9,412*	*8,571*	*-841*	*-9%*
Collateral and margins	*345*	*564*	*219*	*64%*
Subordinated loans	817	546	-271	-33%
Other liabilities	689	748	59	9%
Shareholders' equity	2,492	4,017	1,525	61%
Total	26,857	26,926	69	0.3%

Changes in Customers' Deposits

Consolidated customers' deposits (including related-party deposits) moved from USD 20.1 billion at end-December 2021 to USD 19.4 billion as at end-December 2022, decreasing by USD 720 million during the year. By geography, this decrease is totally attributed to entities operating outside Lebanon registering a decrease by USD 787 million over the same period, broken down over a decrease in entities operating in Europe by USD 590 million in addition to a decrease in deposits at Odea Bank in Turkey by USD 184 million. The latter contraction is justified principally by a negative FX translation impact at consolidation level due to the devaluation of the Turkish Lira versus the US Dollar over the same period. In parallel, customers' deposits of Lebanese entities (including consolidated adjustments) increased by USD 67 million including consolidated adjustments during the same period, reaching USD 14.5 billion as at end-December 2022.

The contraction of deposits of entities operating in Europe is broken down over a decrease by USD 551 million in Banque Audi (Suisse), justified principally by market downturn and volatility, and a decrease by USD 39 million in Bank Audi France. The latter is also explained by the negative FX translation impact resulting from the devaluation of the Euro against the US Dollar across the same period to the extent of USD 23 million, leaving a real contraction by USD 16 million. The contribution of Odea Bank, Banque Audi (Suisse) and Bank Audi France to consolidated deposits amounted to USD 2.6 billion, USD 1.2 billion and USD 965 million respectively as at end-December 2022.

The increase of deposits of Lebanese entities by USD 67 million is driven by the rise of deposits denominated in Lebanese Pounds during the period by USD 712 million, totally offsetting the decrease in deposits denominated in foreign currencies by USD 644 million. Customers' deposits of Lebanese entities (including consolidated adjustments) stood at USD 14.5 billion as at end-December 2022 including consolidated adjustments of which USD 10.9 billion in foreign currencies and USD 3.6 billion denominated in LBP.

Subsequently, Lebanese entities account for a share of 74.9% in consolidated customers' deposits as at end-December 2022, followed by a contribution of 13.6% for Odea Bank and 11.0% from entities operating in Europe and 0.4% from entities operating in the GCC. This is compared to 71.9%, 14.1%, 13.6% and 0.5% respectively as at end-December 2021.

Analysis of Customers' Deposits by Business Segment

The following table sets out the breakdown of consolidated customers' deposits over business segments as at end-December 2022 as compared to end-December 2021:

Breakdown of Customers' Deposits by Segment

	Dec-21		Dec-22		Change	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Deposits from customers and related parties	20,101	100.0%	19,381	100.0%	-720	
Corporate & SME Banking	2,943	14.6%	2,701	13.9%	-242	-0.7%
Retail, Personal & Public Banking	17,158	85.4%	16,680	86.1%	-478	0.7%

In 2022, the decrease of customers' deposits is skewed in absolute terms towards Retail & Personal Banking deposits. The latter decreased by USD 478 million during the year, from USD 17.2 billion as at end-December 2021 to USD 16.7 billion as at end-December 2022. Nonetheless, the share of those deposits in total consolidated customers' deposits increased from 85.4% as at end-December 2021 to 86.1% as at end-December 2022, following a slower contraction in relative terms than that achieved by Corporate & SME Banking deposits.

The latter indeed contracted during 2022 by USD 242 million to stand at USD 2.7 billion as at end-December 2022 compared to USD 2.9 billion a year before. In parallel, the share of Corporate & SME Banking in total consolidated deposits decreased from 14.6% as at end-December 2021 to 13.9% as at end-December 2022.

Analysis of Customers' Deposits by Type

The following table sets out the Bank's consolidated customers' deposits by type as at end-December 2022 and as at end-December 2021:

Breakdown of Customers' Deposits by Type

	Dec-21		Dec-22		Change	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Deposits from customers and related parties	20,101	100.0%	19,381	100.0%	-720	
Sight deposits	10,344	51.5%	10,246	52.9%	-98	1.4%
Time deposits	8,823	43.9%	7,333	37.8%	-1,490	-6.1%
Saving accounts	589	2.9%	1,238	6.4%	649	3.5%
Margin deposits	58	0.3%	46	0.2%	-12	-0.1%
Others deposits	287	1.4%	518	2.7%	231	1.3%

As at end-December 2022, the decrease in consolidated customers' deposits by USD 720 million reflects predominantly a decrease in time deposits (including saving accounts and certificates of deposit) by USD 841 million, totally offsetting the increase in sight deposits (including margin and other deposits) by USD 121 million. This evolution underscores depositors' low confidence level, prevailing high uncertainties and the extremely low cost of deposits in Lebanon that has compelled some of those depositors to keep their savings in sight deposits, pending a resolution of the current financial crisis.

Subsequently, sight deposits continue to account for the majority of total deposits as at end-December 2022 with a share of 55.8%, compared to 53.2% as at end-December 2021. Consolidated sight and other short-term deposits stood at USD 10.8 billion as at end-December 2022 compared USD 10.7 billion as at end-December 2021.

On the other hand, time deposits stood at USD 8.6 billion as at end-December 2022, compared to USD 9.4 billion as at end-December 2021, representing 44.2% of total deposits as at end-December 2022 compared to 46.8% as at end-December 2021.

Analysis of Customers' Deposits by Maturity

The following table sets out the maturity profile of the Bank's consolidated customers' deposits as at end-December 2022 and as at end-December 2021:

Breakdown of Deposits by Maturity

	Dec-21		Dec-22		Change Dec-22/Dec-21	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Less than 1 month	16,833	83.7%	16,123	83.2%	-710	0.5%
1-3 months	1,357	6.8%	1,848	9.5%	491	2.7%
3-12 months	1,439	7.2%	1,212	6.3%	-227	-0.9%
Less than 1 year	**19,629**	**97.7%**	**19,183**	**99.0%**	**-446**	**1.3%**
1-5 years	453	2.3%	184	0.9%	-269	-1.4%
Over 5 years	19	0.1%	14	0.1%	-5	0.0%
More than 1 year	**472**	**2.3%**	**198**	**1.0%**	**-274**	**-1.3%**
Total	20,101	100.0%	19,381	100.0%	-720	

In 2022, the share of customers' deposits with maturities of less than one month in consolidated deposits contracted by a mere 0.5%, from 83.7% as at end-December 2021 to 83.2% as at end-December 2022. Although consolidated customers' deposits have historically displayed behavioural stickiness across the past decades, whereby short-term deposits are typically rolled over following the expiry of their term, the informal capital controls in effect in Lebanon since October 2019 seriously hamper any outbound and even inbound outflows of deposits. At end-December 2022, 99.0% of consolidated customers' deposits had maturities of less than 1 year (compared to 97.7% as at end-December 2021), while the remaining 1% were predominantly deposits with maturities between 1-5 years.

Analysis of Customers' Deposits by Currency

The following table sets out the distribution of the Bank's customers' deposits by currency as at end-December 2022 as compared to end-December 2021.

Breakdown of Deposits by Currency

	Dec-21		Dec-22		Change Dec-22/Dec-21	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Lebanese Pound	2,893	14.4%	3,605	18.6%	712	4.2%
US Dollars	13,905	69.2%	12,172	62.8%	-1,733	-6.4%
Turkish Lira	808	4.0%	1,669	8.6%	861	4.6%
Euro	1,835	9.1%	1,447	7.5%	-388	1.6%
Other currencies	660	3.3%	488	2.5%	-172	-0.8%
Total	20,101	100.0%	19,381	100.0%	-720	

Customers' deposits denominated in US Dollars continued to comprise the bulk of consolidated customers' deposits as at end-December 2022 and end-December 2021. However, their share in total has decreased across those dates from 69.2% as at end-December 2021 to 62.8% as at end-December 2022. The share of customers' deposits denominated in Euros contracted as well, reaching 7.5% of total customers' deposits as at end-December 2022 compared to 9.1% as at end-December 2021, while the share of customers' deposits denominated in Turkish Lira increased by 3.4% to 8.6% of total customers' deposits as at end-December 2022, from 4.0% as at end-December 2021. In parallel, the share of deposits denominated in LBP increased from 14.4% as at end-December 2021 to 18.6% as at end-December 2022, corresponding to an increase by 4.2%.

Subordinated Debt

As at end-December 2022, the Bank continued to have three unsecured subordinated loans of an aggregate amount of USD 546 million (including USD 15 million accruals), compared to an aggregate amount of USD 817 million as at end-December 2021. Below is a detailed description of those loans:

USD 276 Million Due 1 August 2027 – 7.625%

On 31 October 2014, the Bank extended a subordinated loan to Odea Bank, its majority-owned subsidiary in Turkey, amounting to USD 150 million, bearing an interest rate of 6.5% and maturing on 30 September 2024. In accordance with applicable BRSA regulations, this loan was treated as Tier 2 capital of Odea Bank; it was eliminated on a consolidated level, along with other intra-group adjustments. In the first half of 2015, the Bank securitised this loan (through the issuance of certificates of participation) with third-party investors subscribing for USD 138 million (accounted for as consolidated Tier 2 equity in accordance with applicable regulations). Bank Audi Egypt subscribed for USD 8 million and Audi Capital (KSA) subscribed for USD 4 million. On 1 August 2017, Odea Bank issued subordinated unsecured notes in the amount of USD 300 million to third parties, through replacing the previous issuance. 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 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 2022, the total amount bought back amounted to USD 24 million. Odea Bank A.Ş. has not redeemed or cancelled the shares in circulation, thus selling back any portion of such amounts at any time is completely at Management's discretion.

USD 150 Million Due 11 April 2024 – 6.55% over 6-month LIBOR

On 27 March 2014, the Bank entered into subordinated loans with the IFC and the IFC Capitalisation Fund in an aggregate amount of USD 150 million. The repayment date for the loans is 11 April 2024, subject to early redemption or acceleration (which is, in turn, subject to Central Bank approval). The loans bear interest at a rate of 6.55% over six-month LIBOR and certain fees, payable, in each case, on a bi-annual basis, subject to the availability of distributable free profits in accordance with the Central Bank's Basic Circular 6830, as applicable at the time of entry into the loans. As per the agreement terms, if on a particular interest payment date, the Group does not determine it had free profits available for distribution based on the most recent audited financial statements, 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.

In light of the severity of the Crisis in Lebanon, the prevailing uncertainties and its effect on the Group's financial position retaining earnings and equity which the Group anticipates to be material leading to a need for recapitalisation, and hence the unavailability of distributable free profits, interest payments under this agreement have been deferred. As at 31 December 2022, deferred interest payable amounted to USD 34.1 million and was recorded under "Other liabilities".

USD 116,560,000 Due 16 October 2023 – 6.75% (31 December 2021: USD 346,730,000)

In September 2013, the Bank issued USD 350 million of subordinated unsecured bonds. The repayment date for the bonds was 16 October 2023, subject to early redemption or acceleration. Earlier in 2022, the Bank proceeded to the conversion earlier 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 . 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).

Shareholders' Equity

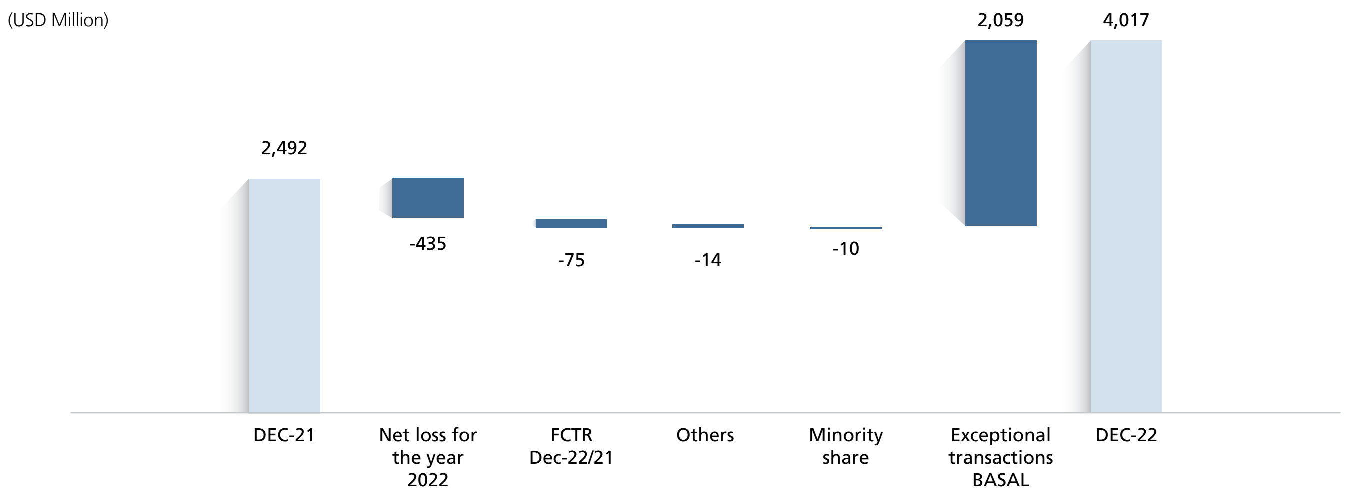
Consolidated shareholders' equity rose by USD 1,525 million in 2022, the equivalent of 61%, from USD 2,492 million as at end-December 2021 to stand at USD 4,017 million as at end-December 2022. Amid stable consolidated asset levels, the faster increase in consolidated shareholders' equity led to the increase in the share of the latter in total assets from 9.3% as at end-December 2021 to 14.9% as at end-December 2022.

The increase in consolidated shareholders' equity by USD 1,525 million was primarily due to LPB 6,711 billion (the equivalent of USD 4,452 million) of real estate revaluation gains in "fresh dollars" booked at the prevailing "Sayrafa" rate as per BdL Intermediary Circular 659. This represents a valuation of the real estate properties of the Bank by USD 198 million translated at the "Sayrafa" rate of LBP 38,000 per USD, net of the applicable 5% tax. The inclusion of the additional gains on the revaluation of real estate assets contributed to partially offset the negative impact of the one-off losses accumulated during the year, as follows:

- USD 435 million of net consolidated losses for the year.
- USD 925 million of previous period losses booked directly in retained earnings.
- USD 1,475 million of FX losses booked directly in retained earnings as they are assimilated to foreign currency translation transactions rather than trading results.
- USD 89 million of negative changes in foreign currency translation reserves (group share) principally following the devaluation of the Turkish Lira versus the US Dollar by 28% during the year, from TRY 13.5 as at end-December 2021 for each USD to TRY 18.7 for each USD as at end-December 2022. The said changes impact common equity by USD 75 million, with the remaining USD 10 million booked under minority shares and USD 14 million booked under others.

The chart below highlights the movement in shareholders' equity during the year 2022:

Evolution of Shareholders' Equity in 2022



As at end-December 2022, total shareholders' equity comprised USD 3,353 million of common equity group share, in addition to USD 600 million of preferred equity and USD 64 million of minority shares. This is compared to USD 1,829 million, USD 600 million and USD 62 million respectively as at end-December 2021.

The Bank's common share capital amounted to USD 652 million, the same level as at end-December 2021. The said share capital represented 588,538,215 common shares (BSE: AUDI) as at end-December 2021 and 2022, each with a nominal value of LBP 1,670, of which 119,639,761 were represented by Global Depositary Receipts listed on the Beirut Stock Exchange (BSE: AUSR).

The USD 600 million of preferred equity represents 3 series as follows: Series "H" comprising 750,000 shares, Series "I" comprising 2,500,000 shares, and Series "J" comprising 2,750,000 shares, all having a par value of USD 100 per share. The terms of Series "I" and "J" preferred shares include a loss absorption clause whereby a trigger event (capital adequacy or non-viability event) could result in the mandatory conversion of those preferred shares to common shares at a ratio of 15 common shares for each preferred shares. Such conversion would increase common shares by 78,750,000 shares.

Capital Adequacy

During 2022, the regulatory capital of Bank Audi was marked by the introduction of 3 regulatory forbearance measures for the treatment of regulatory capital required for the calculation of the Capital Adequacy ratio capital, as per BdL Intermediary Circulars 649 and 659 issued in the fourth quarter of 2022. These measures allowed banks:

1) To include within CET1 50% of the gain of revaluations on its real estate assets valued in "fresh dollars" and converted into LBP at the prevailing "Sayrafa" rate. Within that scope and in line with accounting standards and internal policy, the Bank booked, in November 2022, directly in equity, additional gains from the revaluation of real estate assets amounting to LBP 6,711 billion, net of the applicable 5% tax.

This represents a valuation of the real estate properties of the Bank by USD 198 million translated at the then prevailing “Sayrafa” rate of LBP 38,000 per USD, net of the applicable 5% tax.

2) To exclude from CET1, exceptionally in 2022 and 2023, accumulated losses resulting from the purchase of “local dollars” from the Central Bank of Lebanon against Lebanese banks banknotes made prior to 17 November 2022 for the purpose of reducing their open net FX short positions. In 2022, 66% of these losses (amounting in absolute terms to USD 452 million for Bank Audi) were allowed to be excluded from CET1, while a maximum level of 33% is to be applied in 2023 (reaching USD 226 million for Bank Audi).

3) To include under CET1 the revaluation of participations and long-term loans to banking and financial entities abroad at the prevailing “Sayrafa” rate. As at end-December 2022, Management elected not to proceed with this inclusion as long as capital ratios continue to exceed the required minima.

In contrast, the Central Bank of Lebanon capped the contribution of ECL on Stage 1 and Stage 2 loans to CET1 capital from 100% in 2021 to 75% in 2022, while the waiver on capital conservation buffer declined from 2.5% in 2021 to 1.75% in 2022.

Subsequently, CET1 capital moved from USD 2,159 million as at end-December 2021 to stand at USD 1,512 million as at end-December 2022, translating in total Tier 1 capital of USD 2,118 million at the same date amid a stable additional Tier 1 size across those dates (compared to USD 2,772 million as at end-December 2021). In turn, consolidated Tier 2 capital decreased by USD 123 million over the same period, from USD 350 million as at end-December 2021 to USD 227 million as at end-December 2022. This decrease principally mirrors 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. The above turns a total regulatory capital of USD 2,345 million as at end-December 2022, down from USD 3,121 million as at end-December 2021, registering a decrease by USD 776 million or 24.9%.

In parallel, consolidated risk-weighted assets increased by 11.2% during the year 2022, from USD 21,505 million as at end-December 2021 to USD 23,908 million as at end- December 2022. On the backdrop of a stable consolidated assets’ level across those dates, the RWAs density increased from 80.1% as at end-December 2021 to 88.8% as at end-December 2022. The increase in consolidated risk-weighted assets by USD 2.4 billion in 2022 is mainly attributed to the increase in the book value of real estate assets following the inclusion of the additional revaluation gains.

As a result, CET1, Tier 1 and total capital adequacy ratio stood at 6.33%, 8.86% and 9.81% respectively as at end-December 2022, above the minimum regulatory levels of 5.25%, 6.75% and 8.75% applicable in 2022 (including a capital conservation buffer of 0.75%). Capital ratios have nonetheless dropped from a CET1 of 10.04%, a Tier 1 capital ratio of 12.89% and a Tier 2 ratio of 14.52% as at end-December 2021. Undeniably, forbearance measures provide a temporary relief before the anticipated negative impact caused by the application of the new official exchange rate in translating FCY-denominated risk-weighted assets.

The following table sets out the Bank’s capital adequacy ratios as at end-December 2022 and end-December 2021:

Capital Adequacy Ratio

(USD Million)	Dec-21	Dec-22	Change Dec 22/21
Risk-weighted assets	21,505	**23,908**	**2,403**
o.w. Credit risk	18,940	23,186	4,246
o.w. Market risk	1,512	386	-1,126
o.w. Operational risk	1,053	336	-717
Tier 1 capital	2,772	2,118	-654
o.w. Common Tier 1	2,159	*1,512*	*-647*
Tier 2 capital	350	227	-123
Total regulatory capital	3,121	2,345	-776
Common Tier 1 ratio	10.04%	6.33%	-3.71%
+ Additional Tier 1 ratio	2.85%	2.53%	-0.32%
= Tier 1 ratio	12.89%	8.86%	**-4.03%**
Tier 2 ratio	1.63%	0.95%	-0.68%
Total ratio	14.52%	**9.81%**	**-4.71%**
Minimum capital requirements(*)			
Common Tier 1 ratio	4.50%	**5.25%**	
+ Additional Tier 1 ratio	1.50%	1.50%	
= Tier 1 ratio	6.00%	**6.75%**	
Tier 2 ratio	2.00%	2.00%	
Total capital ratio	8.00%	**8.75%**	

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

4.3. Results of Operations

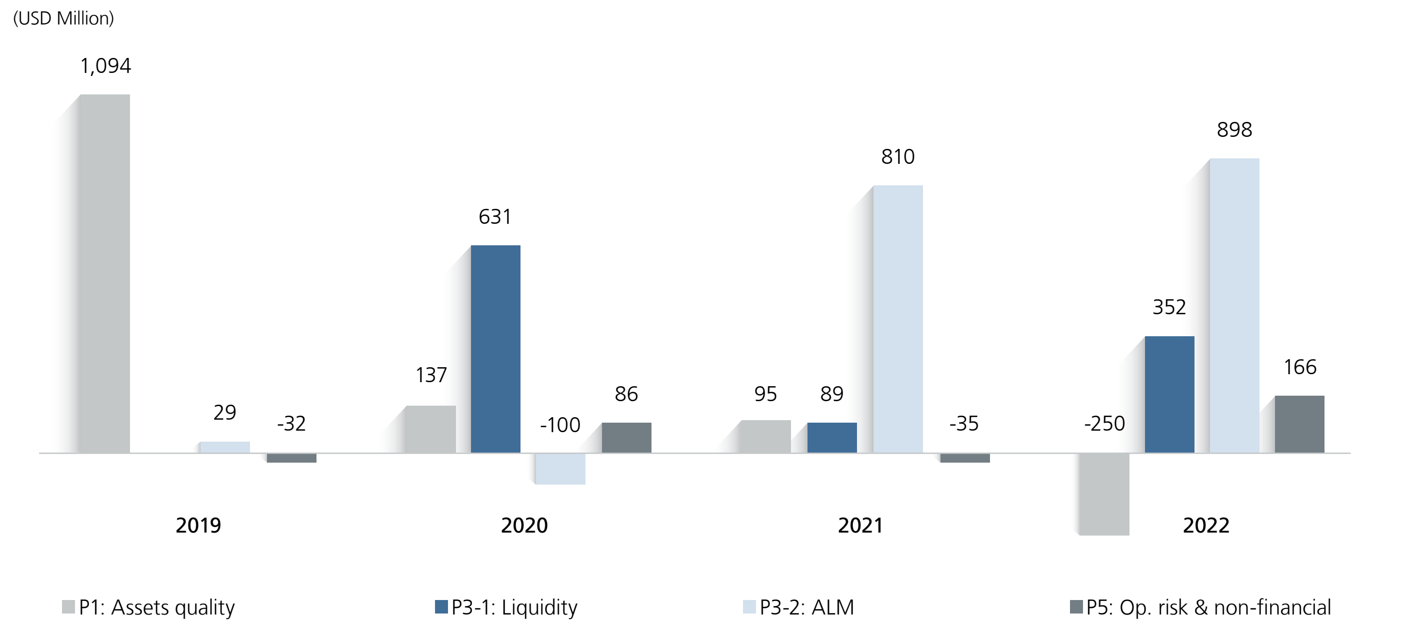
In 2022, Bank Audi reported a consolidated net loss of USD 435 million compared to a net loss of USD 184 million in 2021.

With the outset of the Lebanese Crisis in October 2019 and its subsequent effects, exacerbated by the COVID-19 repercussions on the economies of countries of presence, Management had, early on in the Crisis, decided to pursue a new direction to face the financial and economic environment revolving around the six going concern pillars, as mentioned earlier in this discussion. Within that scope, a number of remedial measures were implemented, the results of which were translated in the income statement as one-off flows, reaching USD1.1 billion in 2019, USD 754 million in 2020, USD 959 million in 2021 and USD 1.1 billion in 2022. Most of these amounts are closely related to the six going concern pillars adopted by the Bank, namely:

- Asset Quality: in the form of provisions against mostly the lending portfolio and impairment against Lebanese sovereign debt instruments.
- Liquidity: representing markup transactions strengthening liquidity.
- ALM: mainly in the form of FX costs, principally to reduce the Bank’s FX open short position (resulting from operations with customers at preferential rates including USD bought from customers at a rate of USD 1 = LBP 3,900, then 8,000 LBP with no intention to resell to BdL). These operations’ corollary strengthened capital adequacy.
- Operational and Non-financial Risks: representing restructuring costs incurred group-wide, in addition to a one-off tax charge from the budget law.

The charts below displays a breakdown of the one-offs expenses incurred by the Bank over the 2019-2022 period broken down over the respective going concern pillars:

Breakdown of One-offs Expenses by Pillars 2019-2022



**During 2020, USD 195 million represents gain from PV LBP structure on CDs sold to CLDs .*
*** During 2020, USD -95 million represents loss on BdL deposits breakage for FX purchase.*

Adjusted to the flows tied to the Crisis in 2021 and 2022, Bank Audi would have registered operating profits (normalised) of LBP 1,102 billion in 2022, compared to LBP 1,089 billion in 2021, excluding results of discontinued operations. When including the USD 53 million of results of discontinued operations sold in 2021, consolidated operating profits of Bank Audi would have reached LBP 1,168 billion in 2021.

Translated at the official rate of USD 1 = LBP 1507.5 applicable across those dates, Bank Audi would have reported normalised net profits before profits of discontinued operations of USD 731 million in 2022, compared to USD 722 million in 2021, representing an increase by USD 9 million or 1.2%.

The table below sets out the evolution of the Bank's net normalised consolidated results in 2022 compared to 2021, while showcasing one-off flows tied to the Crisis and the results of discontinued operations:

Summarised Normalised Consolidated Income Statement

(USD Million)	2021	2022	Normalised YOY 2022/2021	
Interest income[(1)]	1,087	1,243	156	14.3%
Net of new taxes on financial investments	*-150*	*-110*	*40*	*-26.8%*
Non-interest income	166	281	115	69.2%
Total income	1,253	**1,525**	**272**	**21.7%**
Operating expenses	510	747	237	46.5%
Credit expense	14	26	12	85.7%
Income tax	7	22	15	214.3%
Total expenses	531	**794**	**263**	**49.5%**
Net profits after tax (normalised from operations)	722	**731**	**9**	**1.2%**
Results of discontinued operations	53		-53	-100.0%
Net profits after discontinued operations	775	**731**	**-44**	**-5.7%**
+ Crisis-related one-offs	-959	-1,166	-207	21.5%
= Net profit (loss) after tax and one-offs	-184	**-435**	**-251**	**136.3%**

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

The analysis that follows focuses on the flows leading to the normalised net profits from operations, excluding the crisis related one-offs discussed above and net profits from discontinued operations.

By geography, excluding one-off flows, the USD 731 million of consolidated normalised net profits after discontinued operations is broken down over a contribution of entities operating in Lebanon by USD 637 million amid a contribution of Odea Bank in Tukey by USD 68.5 million, Private Banking entities by USD 13.5 million, Bank Audi France by USD 9.1 million, Bank Audi Qatar by USD 1.5 million, with the remainder accounted for by other European subsidiaries. This is compared to a contribution of USD 724 million for Lebanese entities in 2021, USD 7.6 million for Odea Bank, USD 16.5 million for Private Banking entities, USD 3.6 million for Bank Audi France, USD 2.3 million for Bank Audi Qatar, and USD 3.3 million for other European entities.

On the backdrop of an increasing contribution of entities operating outside Lebanon to the consolidated net profits before discontinued operation (on a normalised basis) by USD 59.9 million, from USD 34.3 million in the year 2021 to USD 94.2 million in the year 2022, the USD 9 million net increase in the Group's normalised net profits resulted predominantly from a decrease in the contribution of Lebanese entities by USD 51.3 million.

The net increase by USD 9 million represents predominantly an increase in consolidated total income by USD 272 million during the year 2022 partially offset by an increase in consolidated costs by USD 263 million. The increase in total income is broken down over an increase in consolidated non-interest income by USD 115 million, growing 1.7 times relative to 2021, and an increase in consolidated net interest income (net of taxes on financial instruments) by USD 156 million.

In what follows, we analyse the line-by-line flows of normalised profits in 2022 relative to 2021.

Interest Income

In 2022, consolidated net interest income net of taxes increased by 14.3% relative to 2021, moving from USD 1,087 million in 2021 to USD 1,243 million in 2022. The USD 156 million increase is predominantly accounted for by Bank Audi Lebanon reporting an increase in net interest income by USD 63.4 million, combined with an increasing contribution of entities operating outside Lebanon to the consolidated net interest income by USD 93 million. This is mostly accounted for by a contribution of Odea Bank to the increase in consolidated net interest income rising to USD 76 million in 2022.

The increase in net interest income of Bank Audi Lebanon results from a price effect as spread of Bank Audi Lebanon increased during the year 2022 by 36 basis points from 4.5% in 2021 to 4.85% in 2022, amid almost stable average assets.

In parallel, the surge in interest income of Odea Bank is also justified by a price effect as the yield on assets of the Bank rose from 9.62% in 2021 to 13.44% in 2022, reflecting chiefly an increase in the yields on sovereign securities placements in TRY, while the cost of deposits has yet to catch up. Subsequently, net spreads of Odea, including swap, more than doubled during the year, moving from 2.12% in 2021 to 4.67% in 2022. This price effect totally offset a negative USD 55 million-quantity effect, reflecting a 23.7% contraction of average assets of Odea Bank post-translation to USD. In fact, the devaluation of the TRY versus the USD by almost 28% on average over the same period explains the negative quantity effect within a reported expansion of average assets of Odea Bank in TRY by 41.6% in 2022.

Subsequently, consolidated net spread improved year-on-year by 1.23%, from 3.58% in 2021 to 4.81% in 2022.

Non-interest Income

Normalised consolidated non-interest income increased by USD 115 million in 2022, from USD 166 million in 2021 to USD 281 million in 2022. Lebanese entities contributed by USD 139 million to this net increase amid a negative contribution of entities operating abroad by USD 24 million. The surge in non-interest income of Lebanese entities is broken down over USD 85 million attributed to net commissions perceived mostly on "fresh" accounts and Transactional Banking, USD 20 million attributed to an increase in gains from FX trading activities, and USD 32 million stemming from a positive contribution from operations on financial instruments.

In particular, normalised consolidated net fees and commissions increased by USD 72 million in 2022, hence underscoring a negative contribution of entities operating abroad by USD 13.5 million during the same period. The latter is broken down over a decrease by USD 10.5 million of net commission of Banque Audi (Suisse) and by USD 2.7 million in Audi Capital (KSA) amid a stable contribution of other entities operating abroad.

The increase in absolute figures of consolidated net commissions in the context of contracting consolidated average assets by 15% translated into almost doubling in the share of net commissions, excluding one-off flows in average assets from 0.44% of average assets in 2021 to 0.79% in 2022. The same trend is observed at the level of the share of consolidated non-interest income to average assets moving from 0.55% in 2021 to 1.09% in 2022.

Cost of Credit

In 2022, Management allocated consolidated credit cost of USD 26 million compared to USD 14 million in 2021. The relatively low levels across both dates is the result of Management's proactive measures taken at the outset of the Crisis in 2019 to maintain adequate cover for the various IFRS 9 stages, particularly at the level of the loan portfolio.

Within this context, and since Management did not foresee any significant additional net credit expense on the loan portfolio of entities operating in Lebanon over the short term, credit cost allocation in Lebanese entities was negative in net terms and relatively immaterial. Management had in fact released, as one-off flows in 2022, USD 208 million of general provisions (compared to USD 87 million as at end-December 2021), that were previously earmarked, mostly for Stage 1 loans.

Accordingly, the USD 12 million increase of consolidated credit cost represents credit loss allowances booked in foreign entities, particularly in Odea Bank whose contribution to consolidated credit cost allocation moved from USD 8.7 million in 2021 to USD 25.1 million in 2022.

Total Operating Expenses

Consolidated general operating expenses increased year-on-year by USD 237 million, from USD 510 million in 2021 to USD 747 million in 2022. The increase principally reflects the impact of the inflation on the cost base at the level of Bank Audi Lebanon as its general operating expenses rose between those dates by USD 244 million, reaching USD 576 million in 2022 compared to USD 332 million in 2021.

A detailed flow analysis by type reveals that the increase in the general operating expenses of Bank Audi Lebanon by USD 244 million is broken down over an increase in staff expenses by USD 71 million, to be added to an increase in other operating expenses by USD 170 million, reflecting the significant inflationary impact. A breakdown by currency is needed to understand those flows in the context of the vastly fluctuating market exchange rates of the Lebanese Pounds versus the USD, taking into account the prevailing repricing trends of operating expenses from Lebanese Pounds and "local" USD to "fresh" USD. In 2021, nearly 74% of the Bank's general operating expenses were denominated in LBP, while 8% were in "local dollars" and 18% in "fresh dollars". In 2022, 56% were paid in LBP (some of those payments are indexed to either "fresh" USD or "local" USD, or are based on the local oil pricing grid for some services), 2% in local USD and 42% in "fresh dollars".

Bank Audi Lebanon, in common with entities operating in severe crisis mode under hyperinflationary pressures, adopted early on a cost optimisation policy which translated into a reduction of the general operating expenses of Bank Audi Lebanon from USD 311 million in 2019 to stand at a mere USD 50 million when translated in "fresh dollars" terms in 2022. Annual staff expenses for entities operating in Lebanon amounted to USD 22 million (of which 51% are paid in "fresh" USD) in 2022, translating into the ratio of staff expenses to average staff reaching a low of USD 16,000 (down from USD 50,000 in 2019) and ranking in the lower spectrum of countries with similar GDP per capita. Management is fully aware that the Bank's cost base is not sustainable at this level, particularly in the prevailing high inflationary environment. Accordingly, a correction will have to be made at some point in order to sustain the human capital. Likewise, a correction of other operating expenses is also anticipated.

Income Tax

Consolidated income taxes from normalised continuing operations moved from a mere USD 7 million in 2021 to USD 22 million in 2022, of which USD 21 million are contributed by entities operating outside Lebanon amid no significant tax cost incurred at the level of Bank Audi Lebanon across those dates due to tax relief benefits from previous year losses. On the other hand, tax cost of Odea Bank reached USD 15 million in 2022 compared to USD 3.8 million in 2021, driven by a hike in profitability.

Results from Discontinued Operations

In 2021, Management devised to sell the Bank's operations in Jordan, Iraq and Egypt in a series of transactions initiated in 2020 and completed in 2021. As per applicable accounting rules, these entities have been treated as discontinued operations and the results of their operations were booked under "net profits/loss from discontinued operations". Subsequently, results from discontinued operations reached USD 52.8 million in 2021 and included USD 36 million of gain from the sale of Bank Audi sae (Egypt), in addition to USD 16 million of net profits generated by Bank Audi sae (Egypt) in the five months leading to the completion of the sale transaction. In 2022, the Bank did not book any results from discontinued operations.

Components of ROAA and ROAE

The Bank's profitability ratios in 2022 continued as in 2021 to be distorted by the magnitude of the one-off flows. The analysis at consolidated level, excluding the one-off flows and discontinued operations, reveals that the return on average assets stood at 2.83% as at end-December 2022 compared to 2.38% as at end-December 2021. The table below sets the evolution of key performance indicators in 2022:

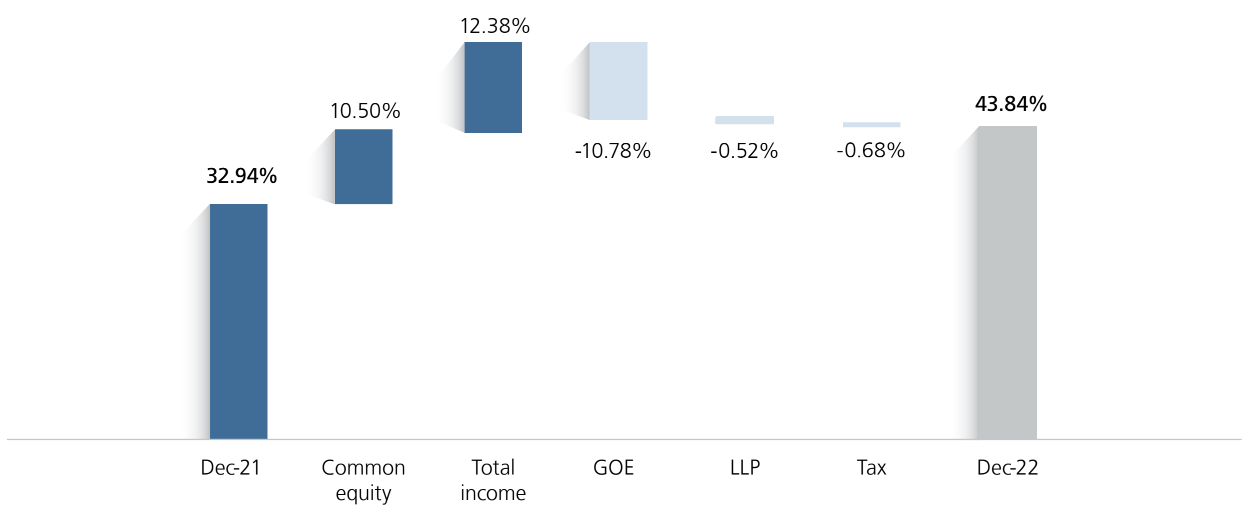
Key Performance Metrics(*)

	2021	2022	Change
Spread	3.58%	4.81%	1.23%
+ Non-interest income/AA	0.55%	1.09%	0.54%
= Asset utilisation	4.12%	5.90%	1.78%
X Net operating margin	57.63%	47.94%	-9.69%
o.w. Cost to income	*40.71%*	*48.97%*	*8.26%*
o.w. Provisons	*1.12%*	*1.67%*	*0.55%*
o.w. Tax cost	*0.54%*	*1.42%*	*0.88%*
= ROAA	2.38%	2.83%	0.45%
X Leverage	10.89	11.40	0.51
= ROAE	25.87%	32.24%	6.37%
ROACE	32.94%	43.84%	10.90%

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

The chart below details the contribution of the various components to the movement in the return on average common equity ratio in 2022:

Evolution of ROACE in 2022

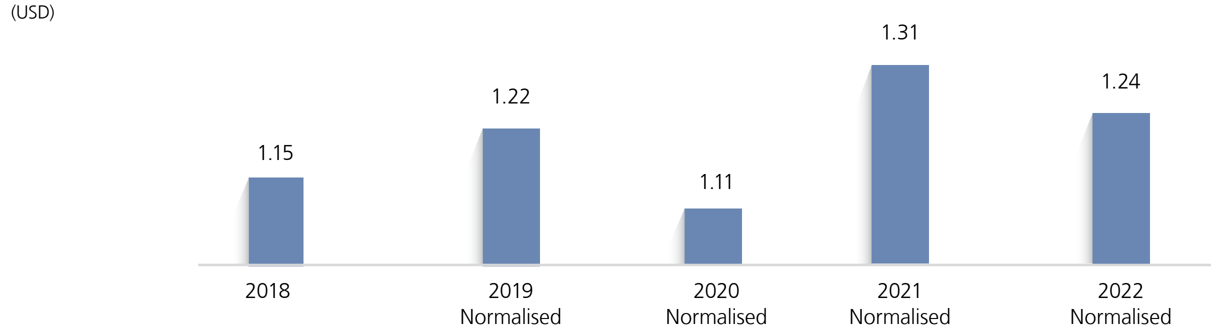


Earnings per Common Share and Common Book per Share

Owing to the net losses realised in 2022 and 2021, "basic earnings per common share" is in the negative territory, reaching USD -0.76 in 2022, and USD -0.32 in 2021. Adjusting to the exceptional flows registered across the two years, basic earnings per share would have dropped from USD 1.31 in 2021 to USD 1.24 in 2022.

"Basic earnings per common share" is calculated based on the weighted number of common shares in issue over the period and net profits after tax. For comparison on equal basis, we exclude from the calculation net profits from discontinued operations, as well as the exceptional flows since 2019 onward.

Earnings per Common Share Growth



The table below sets out the common book per share as at end-December 2022 as compared to end-December 2021:

Equity Metrics

(USD Million)	Dec-21	Dec-22	Change	Percent
Shareholders' equity	2,492	4,017	1,525	61.2%
- Minority shares	62	64	2	3.2%
= Shareholders' equity group share	2,429	3,953	1,524	62.7%
- Preferred stock (including dividends)	600	600		
= Common shareholders' equity	1,829	3,353	1,524	83.3%
Weighted average of outstanding shares (net of Treasury stock)	587,366	587,206	-160	0.0%
Common book per share (USD)	3.11	5.71	2.60	83.3%
Share price at end-December (USD)	2.30	1.54	-0.76	-33.0%
P/Common book	0.74	0.27	-0.47	-63.5%

The common book per share increased from USD 3.11 as at end-December 2021 to USD 5.71 as at end-December 2022, mirroring the increase in common equity (please refer to the section "Shareholders' Equity" section for further details).

4.4. Results across Main Development Pillars

Bank Audi Group is a leading Lebanese banking group with continuing operations mainly in Lebanon and Turkey, in addition to a number of entities grouped under the Private Banking business line, along with other entities in France and the MENA region. Its consolidated activity and results are principally driven by all those constituents.

The table below sets out the contribution of each those entities as at end-December 2022 as compared to end-December 2021:

	Dec-21		Dec-22		Change Dec-22/21	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	%
ASSETS						
Lebanese entities	20,600	76.7%	21,719	80.7%	1,119	5.4%
Turkey	4,110	15.3%	3,684	13.7%	-426	-10.4%
Private Banking entities	2,143	8.0%	1,583	5.9%	-560	-26.1%
Other entities	1,350	5.0%	1,244	4.5%	-106	-7.8%
Consolidation adjustments	-1,346	-5.0%	-1,304	-4.8%	42	-3.1%
Total	26,857	100.0%	26,926	100.0%	69	0.3%
DEPOSITS						
Lebanese entities	14,688	73.1%	14,590	75.3%	-98	-0.7%
Turkey	2,828	14.1%	2,644	13.6%	-184	-6.5%
Private Banking entities	1,726	8.6%	1,175	6.1%	-551	-31.9%
Other entities	1,100	5.4%	1,047	5.4%	-53	-4.8%
Consolidation adjustments	-241	-1.2%	-75	-0.4%	166	-68.9%
Total	20,101	100.0%	19,381	100.0%	-720	-3.6%
LOANS						
Lebanese entities	1,979	41.7%	1,493	37.9%	-486	-24.6%
Turkey	1,783	37.6%	1,501	38.1%	-282	-15.8%
Private Banking entities	553	11.7%	460	11.7%	-93	-16.8%
Other entities	428	9.0%	483	12.3%	55	12.9%
Total	4,743	100.0%	3,937	100.0%	-806	-17.0%

Net earnings	FY-2021		FY-2022		Change FY22/FY21	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	%
Lebanese entities	-235	127.7%	-485	111.5%	-250	106.4%
Turkey	12	-6.5%	49	-11.3%	37	308.3%
Private Banking entities	13	-7.1%	16	-3.7%	3	23.1%
Other entities	9	-4.9%	-15	3.4%	-24	-266.7%
Entities held for sale	17	-9.2%	-	-	-17	-100.0%
Total	-184	100.0%	-435	100.0%	-251	136.2%

Normalised net earnings	FY-2021		FY-2022		Change FY22/FY21	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	%
Lebanese entities	724	93.4%	638	87.2%	-86	-11.9%
Turkey	8	1.0%	68	9.3%	60	750.0%
Private Banking entities	17	2.2%	13	1.8%	-4	-23.5%
Other entities	9	1.2%	12	1.7%	3	33.3%
Entities held for sale	17	2.2%	-	-	-17	-100.0%
Total	775	100.0%	731	100.0%	-44	-5.7%

4.4.1. Lebanese Entities

Total assets of entities operating in Lebanon (excluding consolidation adjustments) increased by USD 1,119 million in 2022, reflecting predominantly the inclusion of additional gains on the revaluation of fixed assets at the prevailing "Sayrafa" rate partially offset by the continued deleveraging of the loan portfolio amid the persisting financial crisis. Customers' deposits of Lebanese entities registered a slight decrease by USD 98 million during the year, broken down over an increase by USD 614 million in deposits denominated in LBP, totally offset by a decrease in deposits denominated in FCY by USD 713 million. The increase in deposits denominated in LBP underscores an increase in the markup transactions on LBP banknotes characterised by a 25% premium on average, as well as the conversion of "local dollar" deposits at the rate of LBP 8,000 per USD 1 which were transferred back at the official rate of LBP 1507.5 per dollar if the funds are not withdrawn.

In parallel, the deleveraging of the loan portfolio continues. Loans to customers decreased in 2022 by USD 486 million, reaching USD 1.5 billion as at end-December 2022, of which USD 1.2 billion of loans denominated in LBP within a mere USD 335 million of net loans denominated in foreign currencies. The latter is compared to a level of USD 3.1 billion of loans denominated in foreign currencies at the outset of the Crisis. The decrease in net loans by USD 486 million is broken down over a decrease by USD 336 million of loans denominated in foreign currencies, coupled with a decrease in loans denominated in LBP by USD 150 million.

Accordingly, the currency structure of the loan book continues to shift to the advantage of loans denominated in Lebanese Pounds, representing 77.6% of the total net loans book as at end-December 2022, compared to 66.1% as at end-December 2021 (49.8% as at end-December 2020). By type, non-retail loans accounted for 47% of the decrease in net loans of Bank Audi in Lebanon in 2022.

Outstanding LCs and LGs stood at USD 194 million as at end-December 2022, decreasing by USD 77 million during the year, underscoring the impact of the severe economic crisis in the country. Outstanding letters of credit amounted to USD 15 million as at end-December 2022, the same level as at end-December 2021, while outstanding letters of guarantees decreased by USD 78 million to stand at USD 257 million as at end-December 2021.

On the loan quality end, Stage 3 loans sustained their level in 2022, standing at USD 567 million as at end-December 2022 compared to USD 572 million as at end-December 2021. Owing to the contraction of the loan book, Stage 3 ratio deteriorated from 21.7% as at end-December 2021 to 29.1% as at end-December 2022, while coverage of those loans slightly improved from 72.1% as at end-December 2021 to 73.5% as at end-December 2022.

(USD Million)	Dec-21	Dec-22	Change Dec-22/Dec-21
Balance sheet data			
Assets	20,600	21,719	1,119
Deposits	14,688	14,590	-98
Loans	1,979	1,493	-486
Equity	2,501	4,292	1,791
Outstanding LCs + LGs	271	194	-77
Earnings data	2021	2022	Change
Total income	150	46	-104
Net profits after discontinued operations	-236	-485	-249
Spread	4.5%	4.9%	0.4%
ROAA (before discontinued operations)	-1.3%	-2.3%	-1.0%
Normalised earnings data	2021	2022	Change
Total income	1,030	1,233	203
Net profits after discontinued operations	724	637	-87
Spread	4.5%	4.9%	0.4%
ROAA (before discontinued operations)	3.2%	3.0%	-0.2%

Based on the official rate of USD 1 = LBP 1507.5, Lebanese entities would have reported a loss (before discontinued operations) of USD 485 million in 2022 compared to a loss of USD 236 million in 2021. Adjusted to the one-off flows and cost tied to the Lebanese Crisis, Lebanese entities would have achieved normalised profits of USD 637 million in 2022 compared to USD 724 million in 2021. The large differential between the actual net results and the normalised one during 2021 and 2022 is mainly explained by the FX losses incurred by the Bank to reduce its FX open short position and by the markup transaction. One-off flows also include the release of the excess general provision, reaching in net terms USD 208 million in 2022 (excess general provision of USD 87 million as at end-December 2021, in addition to provisions no more required mainly on retail loans book during 2022).

4.4.2. Odea Bank

In 2022, Turkish banks' operating conditions continued to be marked by increased political and economic volatility, translating into a steep currency devaluation and a corollary high inflation. This is due to a tightening of the financial conditions worldwide, with Turkey's main export markets in Europe facing a slowdown in growth amid an energy crisis and continued supply chain challenges. The Turkish Lira depreciation continued in 2022, reaching almost 28% despite measures taken to soften the depreciatory pace.

Within this context, Odea Bank posted a resilient performance in 2022, outpacing the performance of privately-owned deposit banks during the same period. Assets of Odea Bank increased from TRY 55 billion as at end-December 2021 to TRY 69 billion as at end-December 2022, corresponding to a nominal increase by TRY 13.5 million. This increase is predominantly attributed to a positive FX translation impact amounting to TRY 12.4 billion resulting from the devaluation of the Turkish Lira (from TRY 13.49 per USD to TRY 18.7 per USD). In parallel, deposits of Odea Bank increased from TRY 38 billion as at end-December 2021 to TRY 49 billion as at end-December 2022, representing a rise by TRY 11 billion representing a real increase in deposits denominated in TRY by TRY 20.3 billion and a real decrease in deposits denominated in FCY by USD 1.05 billion amid a positive FX translation impact of TRY 10.5 billion. Likewise, loans to customers at Odea Bank reported an increase by TRY 4 billion, representing a real increase in loans denominated in TRY by TRY 3.5 billion and a real decrease in loans denominated in FCY by TRY 4.6 billion amid a positive FX translation impact of TRY 5.1 billion. This evolution in the currency mix of the look book underscores local Management's proactive efforts to lend in TRY and convert/settle loans denominated in foreign currencies. Subsequently, the share of loans denominated in foreign currencies in total loans of Odea Bank dropped to an all-time low level of 49% as at end-December 2022.

(TRY Million)	Dec-21	Dec-22	Change
Balance sheet data			
Assets	55,445	68,904	13,459
Deposits	38,144	49,441	11,297
Loans	24,052	28,061	4,009
Equity	3,567	5,041	1,474
Outstanding LCs + LGs	6,052	9,642	3,590
Earnings data	2021	2022	Change
Total income	1,256.1	3,322.1	2065.9
Net profits	205.7	853.2	647.5
Spread	2.1%	5.0%	2.9%
ROAA	0.5%	1.5%	1.0%
ROACE	6.0%	19.8%	13.8%

At the loan quality level, the Stage 3 loans ratio improved from 7.5% as at end-December 2021 to 5.0% as at end-December 2022, the lowest level achieved since 2018. Odea Bank posted net profits of TRY 853 million in 2022 compared to TRY 206 million in 2021, despite doubling the general operating expenses due to the ramping inflation and the booking of TRY 479 million of free provision. This outperformance is driven by higher trading income on mark-to market transactions and gains on CPI-linked papers, along with an increase in credit-related commissions. As a result, the Bank's return on average assets ratio tripled from 0.5% in 2021 to 1.5% in 2022, translating into an ROAE of 19.8% at the same date.

4.4.3. Private Banking Entities

At Bank Audi, the Private Banking business operates under the brand Bank Audi Private Bank which owns, through a Cyprus holding, two financial institutions: Banque Audi (Suisse) SA and Audi Capital (KSA), and operates a sales platform in the UAE. Bank Audi Private Bank also covers Sub-Saharan Africa and Latin America through dedicated desks. The following analysis covers the performance of Private Banking entities in 2022 as compared to 2021:

(USD Million)	Dec-21	Dec-22	Change
Balance sheet data			
On-balance sheet assets	2,042	1,535	-507
Total client assets	6,795	5,598	-1,197
o.w. AuMs (off-balance sheet)	4,218	3,376	-842
o.w. Deposits (on-balance sheet)	1,679	1,169	-510
o.w. Fiduciary deposits (off-balance sheet)	898	1,053	155
Client loans	553	460	-93
Equity	285	305	20
Earnings data	2021	2022	Change
Total income	73.0	56.7	-16.3
Net profits	12.6	15.6	3.0
Spread (on AA +AAuMs)	0.2%	0.3%	0.1%
ROAA+AAuMs	0.2%	0.2%	0.0%
ROACE	3.6%	5.3%	1.7%

Clients' assets (comprising of clients' deposits as well as off-balance sheet AuMs including AuMs, fiduciary deposits and custody accounts) at Bank Audi Private Bank decreased by USD 1,197 million in 2022, from USD 6.8 billion as at end-December 2021 to USD 5.6 billion at end-December 2022, with the decrease reflecting principally the continuing impact of the Lebanese Crisis on the activity of the operations. At the level of P&L, Private Banking entities reported an increase of USD 3.0 million in net profits, from USD 12.6 million in 2021 to USD 15.6 million in 2022.

4.5. Principal Business Activities

4.5.1. Commercial and Corporate Banking

The year 2022 witnessed continued turmoil in markets globally with the negative repercussions of the Ukrainian war, global inflation, energy crisis, supply chain disruptions and increase in interest rates. These had a negative impact on corporate and commercial businesses worldwide, which were still dealing with the aftermaths of the COVID-19 pandemic. Bank Audi has taken rapid action to navigate extreme volatility across its markets of operations while factoring in frequent and wide-ranging regulatory developments. The main objectives of the Bank have been to support clients' business continuity while ensuring adequate portfolio quality.

During 2022, and on the backdrop of the Bank's overall de-risking strategy, net consolidated lending by Corporate and Commercial Banking decreased by 12.8%, from USD 4.1 billion as at end-December 2021 to USD 3.6 billion as at end-December 2022, largely due to the deleveraging in Lebanon and the Turkish Lira depreciation which impacted the size of the loan portfolio in Odea Bank.

Lebanese Operations

The effects of the Lebanese financial, economic, currency and debt crisis on the Lebanese economy continued in 2022 absent the implementation of a government restructuring plan. Despite the challenges faced by the Lebanese banking sector, Bank Audi has strived to (1) provide banking support to its Corporate and Commercial Banking clients to ensure business continuity, and (2) proactively deleverage the corporate and commercial portfolio in line with the contraction of the Lebanese economy while ensuring proper portfolio quality.

The Bank supported its clients' financing needs through select lending from its foreign entities or in local currency. Treasury functions of Lebanese corporates is also supported through the "External Account" which allows companies to make unrestricted daily foreign currency transactions (in cash or trade instruments). This support facilitated the continuity of the vital flow of goods to Lebanon, despite the difficulty in obtaining confirmations by correspondent banks on letters of credit issued by Lebanese banks.

In light of the economic and financial challenges and the contraction of the Lebanese economy, the Bank adopted a de-risking policy which resulted in a significant drop of the Lebanese corporate and commercial loan portfolio. Total net loans to corporate and commercial clients dropped by 16% from USD 1.3 billion as at end-December 2021, restated to USD 1.1 billion as at end-December 2022. A large part of the drop has been driven by clients (i) carrying out set-offs of debt against deposits and (ii) clients taking advantage of repayment in "local dollars".

Foreign Entities

Odea Bank SA – Turkey

As at end-December 2022, the corporate and commercial net loan portfolio of Odea Bank, expressed in US Dollars, reached USD 1.5 billion, down by 15% when compared to USD 1.8 billion as at end-December 2021. This decrease is largely due to the settlement of loans denominated in foreign currencies and the impact of the depreciation of the Turkish Lira which shed 28% of its value over the year 2022. The latter has obviously impacted the counter value in dollars of the loan portfolio in local currency. The share of loans denominated in foreign currencies dropped for the first time since the inception of Odea Bank to stand below 50% of total net loans, reaching 49%.

Bank Audi France sa

The corporate and commercial net loan portfolio at Bank Audi France grew by 18% to reach USD 388 million as at end-December 2022 compared to USD 330 million as at end-December 2021, as Bank Audi France continues to support the Group's corporate customers in their businesses and investments internationally.

4.5.2. Retail Banking

The changing nature of banking worldwide, the pandemic and the unique challenges the banking sector is facing, have forced the Bank to revisit its overall strategy, part of parcel of which is the Retail Banking strategy. Banks are challenging their conventional business model as it is no longer adapted to current technology trends and needs of its customer base. Banks worldwide have been developing their digital arms to address these changing customer needs and to cater for the new realities of the market.

The Lebanese banking sector is no different, albeit it has also faced significant turmoil over the past years having a profound impact of the industry at large. As a result, innovation was stifled and customers were dissatisfied. Therefore, Bank Audi Lebanon (BASAL) has decided to focus its efforts on sustaining a good customer service across all channels amidst all the challenges, to offer all services for "fresh dollar" denominated business, and to invest in digitization in order to deliver convenient and cost-effective banking services addressing all customer needs and adapting to new market dynamics. All of this is to ensure continuity and commitment to its client base.

In Turkey, Bank Audi (Odea Bank) kept on implementing a customer-focused strategy with its digital transformation based on a "phygital" banking approach to tailor for customers' needs and establish long-lasting relationships based on trust.

Bank Audi sal – (Lebanon) (BASAL)

All through 2022, the Bank continued to operate in a conservative way, focusing on Transactional Banking while closely monitoring collection, asset quality and enhancement, and diligently applying BdL circulars addressing the Lebanese economic and banking sector crisis.

Translated in USD, consolidated retail loans at BASAL decreased from USD 0.6 billion at end-December 2021 to USD 0.4 billion at end-December 2022. The contraction is mainly driven by the continued deleveraging of the retail portfolio of BASAL in Lebanon.

The breakdown by products as at end-December 2022 showed that housing loans backed by mortgages constituted 61% of the consolidated retail loan portfolio, followed by credit cards with 19%, personal loans with 15% and car loans with 1%, in addition to 4% of small/multipurpose loans.

The ratio of credit-impaired retail loans to gross retail loans increased to 25.9% as at end-December 2022, from 20.3% the previous year. 91.8% of credit-impaired retail loans are covered by ECL allowances for Stage 3 loans (excluding collaterals), while the credit loss allowance for Stages 1 and 2 retail loans amounted to USD 25 million as at December 2022.

On the backdrop of the challenging operating environment, Bank Audi continues to streamline its operations, increase efficiency, manage costs, reinforce security, and ultimately improve the customer experience.

However, the portion of customers who need sophisticated banking services has dramatically shrunk and currently represents a small part of the Bank's customer base. Accordingly, maintaining the same traditional business model to serve all its customers with the same manual operational load and administrative tasks has become counterproductive, costly and ineffective.The Bank is hence currently working on a new solution to separately serve customers with basic needs by operating on a different platform and using a new business model in line with global trends in order to provide simple banking services in a convenient digital matter, at a low cost which will also simultaneously address financial exclusion.

In general terms, the direction is to move towards having end-to-end Digital Banking services on digital platforms, in line with global trends and international standards to provide customers with more convenience, allowing them to benefit from services embedded in the digital customer journey, while enabling cost effectiveness and profitability for the Bank. This will also pave the way for the unbanked community to have access to low cost banking services.

The Bank has maintained a network of 193 ATMs, representing the largest ATM network in the market. ATMs are constantly replenished, with "fresh" USD and LBP banknotes to absorb high customer demand. In addition, the Bank managed to develop the offering of its alternative channels by providing all services related to BdL circulars (151 and 161) on ATMs for better convenience.

In addition, the Bank has managed to acquire the highest market share in terms of fresh business. This is mainly due to the consistency in the quality of the service offered and to the commitment to its clients through adapted product offering, customer servicing and transparent communication.

Odea Bank SA – Turkey

At Odea Bank, the Retail Banking business lines encompasses servicing the Affluent and Private Banking segments. As of end-December 2022, the Retail and Private Banking business line of Odea Bank, operating in 48 branches across 16 Turkish cities, continued to develop structures that provide the best service in deposit and investment products at every point of contact with customers by improving its service and activity processes. Odea Bank's main goal is to provide customers with a diversified array of products and services tailored to their varying needs and risk tolerance, and to establish long-lasting relationships based on trust. This has so far led to positive results obtained in 2022 in the general satisfaction index measurements of the customers.

In what follows, we enumerate some of the most salient innovatory products and services introduced in 2022, starting with the digital asset management assistant "rob'o" which allows customers to evaluate their savings with portfolio distribution alternatives offered thanks to Odea Bank's expertise and advanced modeling technologies, in line with their risk levels. This was launched on the Odea Bank website in 2022.

In addition, the "FX'O" platform was launched in 2022 to meet the foreign exchange buying and selling needs of customers and is going to provide spot and derivative transactions by quickly responding to customers' expectations with competitive pricing in changed market conditions.

As mentioned earlier, Retail Banking serves, under the Affluent Banking segment, customers with assets above a certain size, through a tailored offering of boutique services aiming at satisfying the financial and non-financial needs of those customers. A wide range of alternatives allows customers to feel privileged, including specific products and services managed by dedicated RMs, rich investment product alternatives, free of charge EFT and money transfers through digital channels, free money withdrawal from all domestic ATMs, discounted safe deposit boxes, and the "Ayricalikli" card designed specifically for this segment.

As a pioneer in the sector, and taking the remote account opening process launched in 2015 one step further, Odea Bank's Retail Banking has been offering, for the past three years now, "a Phygital Banking experience" under the "Yakindan" Banking umbrella, combining its experienced financial consultancy service with Digital Banking. Related marketing activities were accelerated in 2022, which has resulted in a perceived improvement, not only in remote customer acquisition through video calls, but also in the remote management of those customers. Odea Bank's "Yakindan" Banking shows a successful growth graph with nearly 30,000 customers who want to benefit from Phygital Banking services and Odea Bank becoming one of the leading banks in the Turkish banking sector with its personalised financial consultancy services offered to its customers, advantageous product options tailored to digital acquisition channels, and free money transfer-EFT privileges via mobile channels.

Strategies and practices for Retail and Private Banking products are designed as follows:

Investment Products

Aligned with our customers' expectations of risk and return, we provide world-class products and services to protect and increase customers' savings.

The Investment Management approach consists of five key pillars:

- Fully understanding the customer.
- Managing the risks in the portfolio according to the client's risk profile.
- Providing the most diverse and innovative investment opportunities in the market.
- Managing customers' investments with a certified team of experienced investment professionals.
- Creating an investment strategy through a planned process independent of possible risks.

CMB-certified and highly specialised and experienced in their respective fields, branch personnel offer the ideal product, service and consultancy support to customers on an individual basis.

Deposit Products

Odea Bank offers various options to customers wishing to utilise their savings in deposit products with fixed or variable income alternatives. In addition to conventional deposit products with monthly terms, "Oksijen" enables customers to earn overnight interest with TRY, USD and EUR accounts that can address customers' daily cash needs with an on-demand lower limit.

While entering its 8th year, the "Oksijen Account", which greatly increased the Bank's deposit volume and played a significant role in customer acquisition and loyalty, continued its successful chart in 2022 as well. Through the "Earn as You Spend" campaign, customers' expenses of above TRY 2,500 made with Odea Bank credit or debit cards in the present month are charged to the "Oksijen Accounts" as plus interest rate for the coming month.

By the beginning of 2022, the Bank launched FX-protected deposit products for customers who want to use their savings in the medium and long term without being affected by the fluctuations in exchange rates.

In addition to this, Odea Bank continued to offer deposit products suitable for present-day conditions. These include the "Periodical Payment Deposit" with quarterly fixed interest payments, the "Future Savings Account" with monthly or quarterly regular payments which enables savings on the long term and interest income, the "Multi-currency Deposit Account" with the flexibility to freely move between TRY-USD-EUR-GBP currencies providing interest income, the "Money Withdrawal Deposit Account" with the flexibility of making withdrawals without breaking term, and the "Savings Account" for our customers who want to save regularly in gold or silver.

Debit and Credit Cards

In credit card products, Retail Banking offer customers products and services that meet their needs and are easily accessible. In this context, the Unit launched, in 2020, the "Ayricalikli" card, the first to offer a cash refund to affluent segment customers. The existing "Private" card was renewed for Private Banking customers. It aims to take a more prominent place in the wallets of upper segment customers with its segment-specific credit cards. In 2022, the "Bank'O Diji K@rt" product was introduced for the customers to make digital shopping.

On the Retail loans side, through our branches and RMs, we continue to offer financial consultancy and payment plan options to customers in accordance with their cash needs and at the highest standards of service.

Insurance and Private Pension

Product and service development activities in the field of Bank insurance continue in such a way that customers can fulfill their needs more quickly and easily through many channels. Activities in the bank insurance field are continued with new collaborations such as AXA Sigorta A.Ş., MetLife Emeklilik, Hayat A.Ş., and recently with HDI Sigorta A.Ş, as well as with Viennalife Hayat A.Ş. and Doğa Sigorta, which were established in 2022. Through product development efforts, we introduced new products in addition to our existing products, with increased coverage offered to customers via branches and alternative distribution channels. Odea Bank also offers private pension plans to help customers and their underage children achieve their dream retirement in line with their saving objectives.

Having expanded its product range with new collaborations in 2022, Retail Banking aims for greater adaptation to the digitalised world in terms of insurance products, as well as standing by customers with products that can meet increasing and diverse needs in 2023. In this context, innovations in both the product range and the quality of service provided to customers will continue in 2023, with a key priority to reach the right target audience and to transform the banking world with improved process management, increased awareness and digital marketing power. Odea Bank aims to respond even more effectively to the current and potential needs of customers through digital platforms and processes, in line with developments in the sector globally.

4.5.3. Private Banking

Bank Audi Private Bank, which provides services to high net worth individuals through its network in Europe (Geneva) and the Middle East (Beirut, Riyadh, Abu Dhabi and Amman), comprises two main booking entities, namely Banque Audi (Suisse) SA and Audi Capital (KSA).

Bank Audi Private Bank offers a full and diversified range of services, with access to major markets worldwide and global investment products, including discretionary portfolio management, investment advisory and trade execution services in all asset classes, structuring and management of Saudi and regional funds, and other Private Banking services. Its main customers are high net worth individuals in Lebanon, Europe and the Gulf region, as well as the Lebanese diaspora in Sub-Saharan Africa and Latin America.

Bank Audi Private Bank entities have consolidated on balance sheet assets and assets under management (comprising of assets under management, fiduciary deposits and custody accounts) reaching USD 6.0 billion at end-December 2022. In Switzerland, Banque Audi (Suisse) SA represents the main Private Banking arm of the Group, with over USD 5.3 billion in AuMs. In Saudi Arabia, Audi Capital (KSA) serves as the Group's main Private Banking hub for GCC markets, with AuMs of USD 0.64 billion.

The Private Banking entities are well structured, with the same Senior Management team which will progressively ensure better synergy and accountability, effective management, corporate governance, and alignment of business objectives. The de-risking of its balance sheet by the sale of Audi Private Bank sal in 2020 has helped ensure that the Private Banking business is well poised for future growth outside Lebanon, particularly given the persisting challenging domestic and global economic conditions.

4.5.4. Treasury and Capital Markets

Lebanon has been facing an unprecedented economic and financial crisis since October 2019, which has significantly affected the ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets. Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon, significantly reduced credit lines to companies and cash withdrawals to private depositors, all of which have added to the disruption of the country's economic activity.

The year 2022 saw a continuation, if not an exacerbation, of this crisis: it saw the Lebanese Pound plummet to new lows against the US Dollar on the parallel FX market, which compounded with a large expansion in the money in circulation outside BdL and continuous FX reserves burn. This occurred despite all exceptional measures adopted by the Central Bank of Lebanon since late 2021 to curb currency collapse, allowing banks to purchase US Dollar banknotes from BdL at the "Sayrafa" rate. The Lebanese Pound's unchecked nosedive against the greenback on the parallel market is mainly explained by a protracted multilayered political vacuum, a worsened domestic political outlook, the slow progress in implementing IMF prior actions to secure much needed international financial support, the full fuel subsidy removal since mid-September 2022, the shortage in foreign currencies because of the weakness in inflows, a large money creation, and dwindling FX reserves.

In parallel, Lebanon's equity market continued to register strong price gains in domestic US Dollar terms in 2022, as market players continued to flock to realty stocks to hedge against crisis. On the other hand, the Eurobond market plunged deeper into the red amid a protracted multilayered institutional void and tough reform challenges to reach a full fledge agreement with the IMF and unlock much needed international financial support.

Within this context, Bank Audi exerted extended efforts to consolidate its financial position and reinforce its financial standing. Treasury and capital markets activity was focused primarily on strengthening the Bank's capitalisation, building up foreign currency liquidity abroad, reducing its commitments and contingencies to parties outside Lebanon, and attracting new foreign currency deposits, while implementing regulatory requirements.

5.0. Earnings Allocation

From 1996 and until 2018, the Board of Directors of the Bank has recommended the distribution to holders of common shares of a dividend payment of at least 30% of after-tax profits in each year. With the outset of the financial crisis in 2019, the Central Bank of Lebanon set limits on banks' own equity dilution within the perspective of a forthcoming restructuring plan requiring significant contribution from the shareholders' base. Consequently, it issued three circulars impacting the Bank's dividend distribution policy: in November 2019, BdL Intermediary Circular 532 restricted banks operating in Lebanon from distributing dividends from 2019 profits. This was followed by Intermediary Circular 543, issued in February 2020, prohibiting banks from paying dividends on future periods if capital adequacy ratios fall below the newly introduced levels of 7%, 8.5% and 10.5% respectively for CET1, Tier 1 and total capital. Finally, the Intermediary Circular released on 20 January 2023 forbade dividends distribution under all circumstances on common shares for the periods covering exercises from 2019 to 2022 (inclusive). Pursuant to those circulars, the Board of Directors recommended to the Ordinary General Assembly, in its May 2023 meeting, not to distribute common and preferred dividends on the 2022 exercise.

The table below highlights dividends' distribution latest practices at Bank Audi:

(USD Million)	2014	2015	2016	2017	2018
Common earnings	320.0	380.3	439.7	516.6	458.9
Dividends on common shares	159.7	159.9	199.9	219.9	219.9
Dividends per common shares (USD)	0.40	0.40	0.50	0.55	0.55
Payout ratio on common shares	49.9%	42.1%	45.5%	42.6%	47.9%
Dividends on preferred shares	30.4	22.9	30.4	42.4	41.6
Total dividends	190.1	182.8	230.2	262.2	261.5
Net earnings	350.3	403.1	470.1	559.0	500.6
Total payout ratio	54.3%	45.3%	49.0%	46.9%	52.2%

Pursuant to the decision of the Ministry of Finance in Lebanon late 2017 (law No. 64 published in the Official Gazette on 26 October 2017), the withholding tax on dividends of listed companies has increased from 5% to a current 10%.

6.0. Risk Management

During 2022, and in view of the continued challenges and uncertainties governing the economic and operating environments in Lebanon, the Group has primarily focused on:

1- Reducing considerably its foreign currency short position in anticipation of the official devaluation of the Lebanese Pound to 15,000 per USD starting February 2023.

2- Enhancing income generation in foreign currency through non-interest income (fees and commissions), as well as interest income, by benefiting from higher global interest rates.

3- Closely managing non-financial risks, and in particular litigation, operational, compliance and cybersecurity risks.

4- Continuing to de-risk the loan portfolio in Lebanon while strengthening asset quality metrics through increased provision coverage, enhanced collection efforts, and settlement of problematic exposures.

While the above actions have helped bolster the Group's financial position, high uncertainties still remain with regard to potential future losses on material Central Bank of Lebanon (BdL) exposure in foreign currency and uncertainty around future income stream from placements at the Central Bank of Lebanon. Also, litigation risk continues to be exacerbated by the absence of a formal capital control law governing current restrictions on international transfers.

6.1. Evolution of the Group's Risk Management Framework

Compliance with Regulatory Requirements

Following the October 2019 events, the Bank has been subject to growing regulatory compliance risk challenges as a result of the considerable number of regulatory circulars and memos issued since that date. These regulatory requirements, in addition to important changes in the operating environment, have necessitated prompt adaptation including through new system developments/updates and implementation of new processes.

The Group has taken the necessary measures to ensure adequate implementation of these new circulars as the Bank remains committed to the full and complete implementation of all laws and regulations governing its activities.

Scenario Analyses and Simulations

As part of its risk management framework, the Bank relies on scenario and sensitivity analyses to simulate and quantify the impact of potential future and emerging risks on the Bank's main pillars, including solvency, earnings and asset quality.

Scenario analyses conducted cover simulations of devaluations of the Lebanese Pound and their corresponding potential impact, in particular on the Bank's capital adequacy ratios, as well as on its loan portfolio in foreign currency and net interest income. Moreover, the Bank continues to simulate the impact of various scenarios of potential government-led loss distribution plans on its financial position, as well as the impact of various BdL regulations (e.g. BdL Circular 158).

Foreign entities also continue to run sensitivity and scenario analyses on a regular basis, as part of their yearly Internal Capital Adequacy Assessment Processes (ICAAP), as well as in their periodic quarterly risk reports. For example, Odea Bank regularly simulates the impact of various levels of devaluation of the Turkish Lira on the Bank's asset quality and solvency position.

Remedial Measures

Since the start of the Lebanese Crisis in October 2019, Bank Audi has been implementing a series of remedial measures aiming at improving, among others, international liquidity, earning capacity, operational resilience and solvency metrics.

These measures were initially focused on: i) ring-fencing foreign entities from Lebanese risk to safeguard their financial positions, ii) replenishing international liquidity mainly through market operations and the divestments of foreign-held assets, iii) meeting the capital increase requirement of BdL as per its Circular 154, iv) implementing cost optimisation and organisational restructuring initiatives, and v) relieving liquidity pressure by, among others, rescheduling international financial institutions commitments.

During 2022, the Bank continued to implement measures aiming at strengthening its six pillars strategy, focusing in particular on enhancing the quality of its earnings in Lebanon and abroad. The Bank also managed to considerably reduce its FX short open position in anticipation of the expected official LBP devaluation to 15,000 per USD starting in February 2023. Management has also deployed considerable efforts to mitigate growing non-financial risks, specifically in relation to litigation, operational and compliance risks.

Cybersecurity Management Framework

In light of growing cyber threats worldwide, the Bank continued to focus on strengthening its Information and Cyber security risk framework. It has been actively adopting best practices by streamlining the management of such risks through regular IT security and Cybersecurity updates and assessments, which are periodically reviewed by Management and dedicated committees. The Bank has also allocated a specific budget for 2022-2023 to keep its IT infrastructure up-to-date and therefore reduce its vulnerability to such threats.

Revised Risk Appetite

The Bank updated its annual Risk Appetite and Limits framework, in line with the its proposed budget for 2023 and prevailing operating environment, as well as new regulatory updates.

This updated framework focuses, as in previous periods, on the six main strategic pillars adopted by Management after the October-19 crisis. These cover: 1- Asset Quality, 2- Quality of Earnings, 3- Liquidity & ALM, 4- Solvency, 5- Non-financial Risks, and 6- Governance.

The framework has been updated to ensure indicators are reflective of the new underlying risks and changing market dynamics.

The Group also separately ensures that each of its foreign entities has its own robust Risk Appetite framework and that this framework is constantly monitored and updated according to evolving needs.

6.2. Priorities for 2023

From a risk perspective, priorities in 2023 will continue to focus on:

1- Preserving and enhancing international liquidity in Lebanon and maintaining robust liquidity levels in foreign entities.
2- Strengthening and diversifying earning capacity in Lebanon (in foreign currency) and abroad.
3- Mitigating non-financial risks, particularly in relation to i) litigation risk which is still growing in the absence of a formal Capital Control law in Lebanon, ii) compliance risk and iii) operational and cybersecurity risks.

6.3. Credit Risk

6.3.1. Corporate Credit Risk

During 2022, the Bank continued to deleverage its loan portfolio, particularly in Lebanon, and focused on increasing collection and dealing with delinquent loans.

As a result, the consolidated non-retail net loan portfolio contracted by 12.8%, from USD 4.1 billion as at 31 December 2021 to USD 3.6 billion as at 31 December 2022. Around half of this drop resulted from the decrease in Odea Bank's non-retail loan portfolio due to the settlement of loans denominated in foreign currencies, as well as the devaluation of the TRY, which lost close to 28% of its value during 2022. The remaining decrease is related to Bank Audi Lebanon's portfolio which contracted by USD 0.22 billion, from USD 1.3 billion as at 31 December 2021 to USD 1.1 billion as at 31 December 2022. This will have further shrunk in early 2023 due to the adoption of the new official LBP exchange rate of 15,000 per USD, hence significantly reducing the Dollar value of local currency denominated loans.

6.3.2. Retail Credit Risk

The drop in the consolidated retail net loan portfolio was more pronounced and reached 43% in 2022, with retail net loans decreasing from USD 0.66 billion as at 31 December 2021 to USD 0.38 billion as at 31 December 2022. The majority of this portfolio is related to Bank Audi Lebanon operations, while Odea Bank's retail portfolio represents a relatively small amount.

Management has made significant efforts to increase provisions to cover for potential further deterioration in the asset quality of the Lebanese retail portfolio since the October 2019 events. As at 31 December 2022, Stage 3 provision coverages for the Lebanese retail portfolio stood at almost 100% for all products excluding housing loans and around 91% after including housing loans. To note that 77% of the Lebanese retail portfolio is denominated in Lebanese Pound.

6.3.3. Private Banking

Private Banking activities are now mainly channelled through Bank Audi Switzerland, which engages in low risk Lombard lending loans granted against highly liquid and diversified collaterals. This low risk lending activity, combined with very tight and automated monitoring standards, ensures that the portfolio remains of very high quality.

6.3.4. IFRS9 Impairment

The Group applies the IFRS9 standard on a consolidated basis. This necessitates the estimation of the Probability of Default (PD) and Loss Given Default (LGD) for each portfolio by country of operation and segment. The Group, to the extent possible, has relied on its own historical information to estimate PDs and LGDs. When such information was not available internally and for selective portfolios, the Group has used external information such as PDs and LGDs reported by various external rating agencies.

In view of the ongoing crisis in Lebanon, Management has maintained, during 2022, its focus on improving provisioning coverage on its Lebanese loan portfolio. This was applicable to both the retail and non-retail Lebanese exposures. As at 31 December 2022, provision coverage of Bank Audi Lebanon Stage 3 portfolio stood at 73.0% up from 71.5% as at 31 December 2021.

High uncertainties still remain with respect to potential future loss on material Central Bank of Lebanon's foreign currency exposure. This, however, remains provisioned at the minimum regulatory required level of 1.89%.

6.4. ALM and Liquidity Risk Management

6.4.1 Liquidity Risk

Following the October 2019 events and subsequent de-facto restrictions on international fund transfers, the Bank in Lebanon started managing international foreign currency liquidity separately from local foreign currency funds.

Since then, the Bank has made considerable efforts to improve its foreign liquidity position in order to meet its international commitments, to comply with the 3% regulatory liquidity limit set by the Central Bank of Lebanon, as well as to provide a reasonable buffer.

The Group also took several measures to ring-fence the Bank's foreign subsidiaries from the spillover effects of the Lebanese Crisis.

To monitor and manage liquidity under normal and stressed conditions, the Bank uses a number of key metrics, such as:

- International foreign currency liquidity coverage relative to international commitments, including external account balances, in the case of Lebanon.
- Net cash flow to deposit ratios over a given time horizon.
- Liquidity Coverage Ratio (LCR).
- Cash flow gap analysis that compares the timing of cash inflow with cash outflow.
- Other relevant metrics e.g. loan-to-deposit ratio.

The Group also performs liquidity stress tests as part of its liquidity risk monitoring and assessment processes. The purpose of these tests is to ensure that sufficient liquidity is maintained under both idiosyncratic and systemic market stress conditions.

6.4.2. Interest Rate Risk

Interest rate risk arises out of the Bank's interest-sensitive asset, liability and derivative positions. The mismatch in the repricing dates of these positions creates interest rate risk for the Bank, which is inherent in its banking activities.

Interest rate hedging activities are undertaken through natural balance sheet hedges or derivatives, where appropriate.

The following measurements are used, among others, to enable greater understanding of:

- Changes in the Bank's net interest income to given interest rate scenarios.
- Changes in the Bank's economic value of equity to given interest rate scenarios.

These measurements are calculated under both the regulatory and economic approaches, with the latter reflecting Management's own views and assumptions.

Following the Crisis in Lebanon, the calculation of interest rate risk metrics for Bank Audi Lebanon has been put temporarily on hold due to severe market distortions. Instead, focus has been diverted to the sensitivity of the Bank's net interest income to changes in the official LBP/USD exchange rate and uncertainty around future income streams from the BdL, historically a major source of interest income.

6.4.3. Market Risk

Market risk is defined as the potential loss in both on and off-balance sheet positions resulting from movements in market risk factors, such as foreign exchange rates, interest rates and equity prices.

The Bank maintains a very low appetite to market risk be it from changes in interest rates, equity prices or foreign exchange rates. However, operations in Turkey present revenue-generating opportunities from trading activities in FX and interest rates. The Bank, through its Turkish subsidiary, engages in such operations under a strict trading mandate that ensures that risk of loss from these activities is kept very low and within comfortably manageable levels.

In Lebanon, the significant devaluation of the LBP on the parallel market and the risk of further devaluation in the future, as well as the presence of multiple exchange rates, present a number of impediments for the Bank to manage effectively its market risk position stemming from foreign exchange risk. The Lebanese Crisis post October 2019 exerted significant pressure on the Bank's FX open position due to major market disruptions on local conversions between LBP and USD and other operations. During 2021 and 2022, the Bank deployed significant efforts to reduce its FX open position, which dropped considerably to a relatively small level by the end of 2022.

The Bank continuously runs FX stress tests simulating the impact of the remaining outstanding FX short open position in Lebanon on the Bank's profitability and solvency metrics using different assumptions of LBP/USD, including the parallel market rate.

6.5. Non-financial Risks

6.5.1. Operational Risk

The Basel framework defines Operational Risk as the loss that may result from inadequate or failed internal processes, people, systems and external events.

The first pillar upon which the mitigation of operational risk rests is a Board-approved framework that sets a sound governance, along with high-level standards for managing operational risks, while ensuring compliance with laws, regulations and best practices. The second pillar is the effective implementation of this framework, which should be subject to periodic reviews to maintain its relevance given the Bank's operating environment and the overall strategy of the Group.

At Bank Audi, the management of operational risk is based on a three-line-of-defense approach. Business line managers act as a first line of defense by managing operational risks arising from their daily activities. The second line of defense is assumed by several support functions that mainly include: Operational Risk, Information & Cybersecurity Risk, Business Continuity Planning & Conduct Risk, Legal, Compliance, Regulatory Compliance and Internal Control. Internal Audit, which constitutes the third line of defense, provides an independent assurance on the effectiveness and relevance of the operational risk framework.

Operational risks are identified, assessed, monitored and controlled through dynamic risk and control assessments, key risk indicators, incident reporting, and risk sign-offs on new or major changes in products, services, processes, systems and outsourced activities. To support a sound, efficient and standardised group-wide adoption of operational risk management practices, the Bank uses an internally developed Group-wide operational risk solution (for incident reporting and action plan recording and management). As an additional layer of mitigation against operational risk events, the Bank purchases insurance coverage against risks such as cybercrime, computer crime, infidelity, professional indemnity, property, political violence, etc.

The deteriorating operating environment in Lebanon that started in October 2019 brought major stress upon the operations of branches and several departments. This stress sometimes materialises in terms of physical attacks and damage to assets, increased client queues, complaints, as well as legal notices and lawsuits filed by clients in local and foreign jurisdictions, particularly in relation to restrictions applied on payment of deposits by Lebanese banks.

6.5.2. Information Security Risk and Business Continuity

Bank Audi is committed to protect the interest of its stakeholders and maintain a high quality of service to its customers with minimum disruption. Several initiatives were implemented to enhance the Bank's information and cyber security posture, improve crisis management and the handling of security incidents, as well as ensure the continuity and resilience of its business operations.

6.5.3. Information Security

The Bank adopts a proactive risk-based management approach to protect its information assets, prevent data loss, reduce its vulnerability to cyber-attacks, and improve the security of its systems, networks and underlying IT infrastructure. Risk and vulnerability assessments are conducted on a regular basis to identify threats and vulnerabilities to information assets, and appropriate measures are implemented to reduce identified risks to an acceptable level. Measures are also taken on a continuous basis to ensure compliance with Information Security regulatory requirements.

6.5.4. Cyber Resilience

Given the increasing threat of cybercrime globally, the Bank remains focused on the latest cyber security trends, threats, countermeasures, technologies and tools, through ongoing research and continuous education and training. As a result, it has implemented several technical and non-technical measures to minimise the risks of a cyber-attack and to strengthen its cyber resilience position. In addition, external expert support is sought when needed. The Bank has also contracted a cybercrime insurance policy as an additional layer of security protection against cyber risk.

6.5.5. Business Continuity

Bank Audi's Business Continuity framework is designed to ensure the continuity of critical business activities in the event of unforeseen incidents disrupting its operations, such as system failures, staff absences due to a pandemic, or inaccessible primary head office location. To that effect, the Bank established in Lebanon a world-class business continuity site, along with a disaster recovery site that was awarded the Tier 4 Fault Tolerant Certification of Design Documents and Constructed Facility, which is the highest level of certification that is usually granted.

Additionally, a Business Continuity Plan (BCP) was developed and implemented to counteract interruptions to business activities and to protect critical business processes from the effects of major failures of information systems or disasters by ensuring their timely resumption. This plan identifies, among others, business continuity teams and the role of each, calling trees, emergency procedures, vital records and assembly points. The BCP is updated on an annual basis and upon major changes. Several tests are conducted on a yearly basis to evaluate the effectiveness of the Bank's Business Continuity readiness. The Bank regularly updates evacuation procedures for its headquarters. In addition, the fire and emergency systems are maintained and tested on periodic basis.

7.0. Deployed Resources

7.1. Information Technology

In 2022, and despite the 3-year unprecedented crisis hitting Lebanon in every aspect (namely political, economic, financial and monetary), Bank Audi has again proved to be faithful to its long-standing culture. Bank Audi Lebanon (BASAL) continued to take strategic decisions aimed, on the one hand, at promoting its resilience, adaptability, and ability to operate under suboptimal conditions by constantly crafting ingenious solutions to challenging problems, and on the other hand, to set the foundations for continual excellence, always looking forward to a brighter tomorrow.

In line with the Bank's strategy of adjusting its organisational structure, the Information Technology (IT) department became an independent IT service provider company – Infostructure sal –, a subsidiary fully owned by the Bank Audi Group.

Internally, Infostructure worked in 2022 on rebuilding its human capital to recover from one of the Crisis' impacts endured by Lebanon's majority of business organisations, and to continue providing the Bank's business users and clients alike with its customary level of service excellence. In that regard, it opened its doors to aspiring candidates who are motivated to work in a competitive and challenging environment, allowing them to promote their knowledge and expertise, and providing them with the prospect of building a long and successful career.

Infostructure also ensured that the Bank's operations remained in full compliance with all the Central Bank of Lebanon's circulars and regulatory requirements, and worked on the renewal of the Bank's compliance solutions.

Furthermore, Infostructure set in 2022 the grounds for several initiatives planned to be implemented in 2023, namely to sustain the availability and security of its services and to maintain its infrastructure and platforms. Migrating the Bank's business users to Office 365 on the cloud, consolidating some business applications in such a way as to maintain full business functionalities while reducing their operational cost, and undertaking a total revamp of the Bank's document management system, are examples of such initiatives, to mention but a few.

Infostructure also continued in 2022 to offer its usual assistance to Bank Audi's entities whenever requested. Finally, a significant decision made by Bank Audi's Management was the initiation of a major project to establish the "neo" platform (or digital bank) within Bank Audi to keep pace with international state-of-the-art banking trends. The expected completion of the project is set for the third quarter of 2023, and Infostructure's contribution in it is obviously fundamental.

7.2. Human Resources Development

With more than three years into the most challenging economic and financial crisis in Lebanon's history, 2022 was marked by extraordinarily high uncertainty and a continued political paralysis. It was hard to keep up in the absence of a recovery strategy and the resulting skyrocketing inflation considered amongst the highest globally. Within this context, the Bank still emphasised the need to move forward while adapting to the ever-changing situation of the country.

HR was at the center stage of such unfortunate times, navigating challenging business needs, the continuous brain drain and regulatory hurdles combined with the impact of the sharp depreciation in the Lebanese Lira on the employees' medical needs, as well as their financial, social and mental wellbeing.

HR's mindset and crisis management strategy thus revolved around the principles of equity and fairness while taking care of the most vulnerable employee households.

Throughout the year, and at par with the impact of the economic crisis, the Bank enhanced and calibrated the employee overall income on several occasions to ensure a decent living for all and alleviate some of the pressure. Furthermore, schooling tuition fees were enhanced with the aim to maintain employees' children access to the same educational standards, providing average coverage of 75% of the full tuition fees. In addition, employee households with deep social and financial needs were assisted through targeted support following social assessment during 2022. Further initiatives went beyond the organisation workforce towards society at large, notably through blood donation campaigns and other social events and campaigns.

Similarly to 2021, and given the uncertain medical situation of the country, HR addressed health concerns despite the continued disrupted work of the Lebanese National Social Security Fund (NSSF) and insurance providers. The needed medical support and hospitalisation for employees and their direct dependents was secured by the Bank. Furthermore, the dental treatment – exclusive partnership with "Saint Joseph University" – remained available allowing employees to benefit from offered treatments. Other health concerns were targeted through organised initiatives, among which online awareness campaigns, blood sugar level tests and free flu vaccines.

Furthermore, COVID-19 times showcased an increase in the "work from home" concept and 2021 witnessed a "controlled" return to the workplace. However, 2022 was more about managing talent, replacement and succession needs in response to the changing banking landscape, low compensation despite several improvement initiatives, and the massive brain drain the Lebanese market has been witnessing.

HR, in collaboration with concerned internal stakeholders, regularly reviewed structural design and specific talent needs for technical and business continuity purposes. As such, HR recruited a limited number of FTEs to cover talent loss in key functions and pain areas throughout the organisation for high attrition departments and branches.

With the aim to create some sort of normalcy for employees and further instigate their motivation to work, both the corporate and training academies were reactivated during 2022. In the specific case of branches, the HR Training Academy and the On-the-job training program were relaunched and managed to successfully train new and existing employees to assume new and additional responsibilities.

Moreover, the Corporate Academy in 2022 allowed Top Management to connect and discuss the Bank's situation, future orientation, challenges and plans with the heads of departments and regional/network/branch managers.

However, attracting and resourcing talent into the banking industry was a major challenge for HR. Targeted initiatives and improvement to compensation schemes benchmarked against the market had to be made, notably for the IT "knowledge workers", despite budget restrictions.

On a final note, expectations are that the uncertainty and volatility of 2022 will carry over to 2023, and increasing the level of adaptability and resilience of the HR team would be highly needed to navigate the upcoming challenges, alleviate their impact on the workforce, and keep on attracting Lebanese talents. All while upholding the principles of equity, fairness and inclusion in a highly unpredictable, imbalanced and unjust environment, the HR team will continue to strive for increased efficiency and employee retention and wellbeing through several initiatives covering: (1) reshaping the Bank's organisational chart and merging functions for work efficiency; (2) working on enhanced compensation schemes and (3) on a retention plan for employees.

Odea Bank

Odea Bank's Human Resources consider fair evaluation, equal opportunity and transparency as basic principles of human resources which is the institution's most valuable capital. The department is approachable and solution-oriented. It monitors the respective goals of business units, provides Senior Management with supportive feedback, and offers consultancy and guidance with regard to the Bank's areas of improvement.

In 2022, the organisation aimed at recruiting success-oriented candidates who welcome change and hold the ideal levels of educational achievement and experience to fill their respective positions. Odea Bank prefers to meet its human resources needs primarily from within the Bank in order to support the development of its employees, to enable them to advance in their careers, and to strengthen the Bank's corporate culture. In this regard, a total of 32 internal postings were made and different career paths were accordingly opened for a total of 24 employees.

It is also important for the Bank to bring and promote young talents to the corporation. In this context, "Odealist Talent", the "Nova Internship Program" and "IT Young Talent" recruitment processes were completed to give new graduates who want to pursue a banking career the opportunity to be part of the Odea Bank family. In addition to that, "young talent development programs" were designed, covering the topics of basic banking, the future of banking, agile transformation, introduction to corporate life, and developing a strategic perspective.

The Bank aims at providing candidates with an end-to-end recruitment and job adaptation process. It has thus improved the employment experience by implementing a digital onboarding practice beginning with the candidate recruitment processes to allow employees to fit in the corporation more quickly throughout their orientation process. An "e-orientation" program was also designed to help new employees adapt to the culture by internalising the vision, mission, and values of the Bank from day one, offering the, the information they need to adapt to their new work environment and culture through a structural mechanism.

To strengthen communication with employees, branch visits were planned. In these one-to-one meetings, the Human Resources team met with employees and listened to their feedback and recommendations.

Odea Bank's vision, mission and values, i.e. its cultural codes, were redetermined and the "New Employer Brand" was launched in 2022. Various activities were planned and carried out so that the values launched in 2022 would become part of the Bank's culture and that the "Odealist" concept be accepted by employees. Furthermore, Odea Bank's new values were integrated into the performance system in 2022, making it possible to measure the life expectation of the Bank's values and culture, and the extent to which employees adopt these behaviours. The OKR practice continues in departments where agile working methodology is followed, and employees' performance continues to be evaluated in line with the team's OKRs which are set quarterly. Agile projects and application activities designed for other business units continue to enrich the working methodology within the Bank. Thus the "Agile Transformation Team" takes the responsibility of cultural transformation and ensures that a responsive mindset prevails in achieving the Bank's mission.

In 2022, remuneration activities were enhanced by taking into account the average wage in the banking sector according to employees' positions, grades and annual performance, along with specific dynamics and annual budgets.

More importantly, after evaluating the current economic conditions, necessary action was taken and an interim wage increase was designed to adapt to the inflationary environment; employees were thus supported with practices such as meal, transportation and heating allowances.

Within the scope of Odea Bank's agile learning strategy, employees' technical and non-technical competencies were assessed and developed with customised training solutions using digital channels.

Priority was also given to the branch network, with the goal of increasing the target audience's knowledge and skill levels by determining needs from a holistic perspective.

In parallel, data literacy, data boot camp programs, and coaching-based competency development trainings were designed and performed.

Webinar series, started in 2021 to encourage employees to have a continuous learning and multi-disciplinary perspective, were organised in various fields such as economics, data, agile culture, psychology, and culture-arts. In this context, speakers on different topics were hosted three times a month and some 30 live webinar sessions were held in 2022.

Apart from the formal training solutions mentioned above, the "peer learning" methodology was adopted and Odea Bank continued to contribute to informal learning processes to develop a specifictraining culture.

8.0. Compliance

In 2022, the Bank adapted its compliance-related approach and controls to address the new challenges resulting from the global compliance and sanctions landscape, as well as those resulting from the ongoing deep Lebanese financial, economic, and political crisis, and the high domestic regulatory issuance activity.

Our focus remained on upholding industry standards and best practices, and on meeting legal and regulatory expectations.

Under the guidance of the Board of Directors and of its Compliance Committee, and in coordination with Executive Management, our Compliance function pursued the following objectives:

1- Maintaining our policies, programs and processes up-to-date, aligned to market and regulatory requirements, and effective in mitigating risks and preventing financial crimes.
2- Implementing our Enterprise-Wide Compliance Program for comprehensive risk management.
3- Cultivating a compliance culture through staff education and awareness.
4- Monitoring the evolving international sanctions environment and adopting tailored controls.
5- Keeping the Board of Directors, Group Executive Committee, and Senior Management informed of compliance developments.
6- Diligently reporting any identified suspicious activity.
7- Supporting and guiding business lines in navigating the complex regulatory environment.
8- Collaborating with Risk and Internal Audit functions to reinforce the control framework.

In pursuing the above, key projects of the year 2022 included upgrading Compliance IT systems (for monitoring and filtering). They also included reviewing the Risk-Based-Approach (RBA) methodology, which rates the Bank's customers according to Money Laundering and Terrorism Financing ("ML/TF") exposure indicators to enhance its analytical effectiveness and align it with the developments on the local and international AML scene (notably to (i) reflect the rating of countries as per FATF and other reference organisations, (ii) and to align it to the outcome of Lebanon's recent ML/TF National Risk Assessment).

By pursing the above objectives and implementing the aforementioned and other critical enhancements, we remain confident in our ability to navigate the challenges ahead and maintain our position as a trusted financial partner to our clients and to our international correspondents, and to fostering the trust of our regulators.

9.0. Corporate Social Responsibility

Bank Audi sal

As difficult times linger in Lebanon, hovered by economic challenges on several fronts, our core values remain focused on our civic role which impacts our community and the environment in which we operate.

In partnership with various institutions, we supported a Military Academy pilot program initiated by the Lebanese Army, in which 100 Lebanese underprivileged teenage schoolchildren, in keeping with gender parity and diversity, spent three nights at the Military Academy and underwent training sessions similar to boot camps. The program's objective was to familiarise this particular age group with the Lebanese Army and to enhance their leadership capabilities.

Similarly, we maintained previously pledged scholarships, hosting 87 interns in our institution. In addition, together with SOS Children's Villages and their "YouthCan!" program, we were able to offer 7 young people internships in partner organisations, as relevant to their career paths. Hence some of them got to be apprentice cooks, hotel management staff, call centre operators, social assistants, and members of human resources management staffs. We also granted a part of our television airtime to DOT (Digital Opportunity Trust), helping them promote their "ChouEl7al" campaign and shedding light on boosting creativity, while engaging with 496,560 youths with a view to creating job opportunities in the North and Bekaa rural areas.

Always inspiring students, our focus on social responsibility has enthused a doctorate candidate, two masters' candidates and three undergraduates to write case study theses as part of their graduate programs.

Gender equality being considered a strategic goal at Bank Audi, the female representation in our Board of Directors increased to 25% in 2022 and our gender parity was maintained at 51% female versus 49% male. During the year, HR focused on the Bank's Succession Planning Policy and Procedure, reviewing methods for further inclusion. In this scope, we were invited by the UN Global Compact Network Lebanon to share our best practices and initiatives during a session entitled "Target Gender Equality (TGE) Strategies for Success". Projecting this priority across the organisation, we ran a special internal campaign during the week leading to International Women's Day – March 8. A "Bank Audi Pledge" was taken to: promote education, enhance training and professional development for women, respect and support non-discrimination, implement enterprise development, supply chain and marketing practices that empower women, and promote equality through community initiatives and advocacy.

Resuming post-COVID cultural activities, we supported the inaugural evening of the Baalbeck International Festival 2022 with a live concert on the steps of the Temple of Bacchus, allowing the audience to relive the richness of traditional Lebanese music.

The Supplier Code of Conduct issued by us in Q4 of 2021, guides our suppliers with respect to responsible business conduct, ethical business and employment practices, environmental stewardship, and record keeping and compliance. It has been voluntarily recognised by our suppliers to date, ensuring that internationally recognised procurement ethics are followed consistently.

Of course, we maintain our commitments to the UN Global Compact (UNGC), its Ten Business Principles and the Sustainable Development Goals (SDGs) capped by the 5 SDGs we pledged towards back in 2016. As such, we actively participated in the TGE ME Track as a follow-up on our participation to the Global Track pilot in 2020 aiming to inspire other participants by mentoring or sharing best practices. Within that same target, we participated in the UN Women and ESCWA "Josour" Initiative for WEPS (Women Empowerment Principles) signatories for a country focus group report.

Maintaining our long-term collaboration with the Lebanese Red Cross, we pursued biannual blood donations, clothing apparel donations to the beneficiaries of FabricAid, and various social and health-related aid. Other donations are also worth noting: Sacré Coeur Hospital to keep their lights on, Internal Security Forces for the maintenance of law and order in turbulent times, and the refugee assistance program.

In line with the Bank's Operational Risk management policy and its initiatives to strengthen internal controls, we initiated a reminder to all staff members about the importance to report incidents, guiding them towards the "User Manual", the "Procedure for Booking Operational Risk Losses", and the "Incident Categories" documents. These measures allow the Bank to foster a culture that proactively identifies risks and adopts quick remedial actions.

In regards to our human capital health care assistance, including dental care, we sustained necessary medical care for employees and their dependents at no cost, in addition to the "hemoglucotest" administered to 350 employees and flu vaccines administered to 540 staff members. Various health-related awareness campaigns were also conducted internally, with topics revolving around breast cancer, cholera and diabetes.

Under the scope of Environmental Protection, we continue to monitor our carbon footprint as we assess our consumption of resources, which was favourably recognised by the Ministry of Environment. The most recent activities are the solar energy efficiency solutions installed in 16 branches in Q4 2022 and generating autonomous power resources. Such projects are currently being monitored for energy savings and the results are scheduled to be reported in our 2024 next carbon footprint cycle.

Following on the campaign initiated in 2021 with "arcenciel", 32 additional branches were added to our recycling collection program, resulting in 1,289 kilograms of plastic, cans, cartons, glass and other waste collected to date. Parallel to the environmental impact, this initiative carries the additional benefit of job creation for marginalised special-need persons.

As far as our internal paper recycling program for 2022 is concerned, we succeeded in saving 1,329 trees.

Odea Bank – Turkey

In line with its sustained commitment towards Corporate Social Responsibility, Odea Bank continues to strive for the welfare of the community and society it operates in. It adopts a proactive and collaborative approach with a view to improving the quality of public life, its cultural development, and general societal well-being.

The Bank's focus remains on material issues such as gender equality, organisational management, human rights, business practices, environment, fair business practices, consumer problems, and social participation.

Odea Bank also encourages all its executives and employees to embrace social responsibility, both in their private lives and as bank employees while performing professional duties. The Bank organises special events and training activities to raise employee awareness on environmental and social issues.
Accordingly, Odea Bank is committed to:

- Embracing the principles of honesty and open communication in all interactions, and communicating transparently with all internal and external stakeholders.

- Valuing human capital by promoting versatility, diversity and equal opportunity.
- Rewarding talent, supporting teamwork and employee development.
- Applying the highest standards of integrity in business relations.
- Promoting healthy ecosystems, social equity, and good organisational governance within its sphere of influence and supply chain.
- Taking responsibility for actions and decisions, and being trustworthy.
- Positively affecting its entire value chain with social responsibility awareness.

Highlighting gender equality with regard to SDG 5, we pursued our aim to provide an equal future for children, as devised by our "Fair Tales" project which interprets world-known fairy tales with a revisited approach spotlighting equality. Additionally, in 2022, Odea Bank adapted these tales books into a children's play which stage-toured 24 times, reaching more than twenty thousand children.

In the context of the "Fair Tales" project, which drew a lot of interest and prioritised disadvantaged children, over a million books were donated to more than 1,200 schools. Furthermore, aiming at awakening children's interest in foreign languages while acknowledging gender equality, an English version of the "Fair Tales" was made available on Odea Bank's website. This whole initiative targets SDGs 4 and 10 – "Quality Education" and "Reduced Inequalities".

In accordance with our collaboration with the TEMA Foundation and the "Odea Bank Oksijen Account secures the oxygen of the future" motto (since 2017), active "Oksijen Account" holders had the opportunity to donate saplings to the Foundation's nature awareness project while promoting children's education on nature and targeting SDG 15 – "Life on Land". Moreover, in celebration of the 9th anniversary of the "Oksijen Account" and to highlight the urgent needs of mother earth for oxygen and the de-pollution of oceans, the Bank made donations to the Deniz Temiz Association/TURMEPA whose ambassador is none other than World Freediving Record Holder Şahika Ercümen , with a view to protecting Turkey's sea and water sources, thus serving SDG 13 – "Climate Action" – and SDG 14 – "Life below Water".

On another note, Odea Bank's Etiler branch was especially lit on the International Day for the Elimination of Violence against Women, in order to raise awareness on supporting the UN Women "Fireflies" project, as well as on the World Autism Awareness Day where SDG 17 – "Partnership for the Goals" – is intended. Hosting modern art representatives since 2015, Odea Bank's "O'art" art platform transferred the annual program of its physical exhibition tradition to this digital platform. Exhibitions organised within the annual program can now be accessed online through the platform which supports new media and digital art artists. The "Lorem Ipsum" exhibition, with its nine participating artists, aims at interpreting the relationship between today's art and these two approaches, in which typography turns into a tool or becomes a goal. Art lovers were given the opportunity to visit the exhibition between February and March 2022, while the digital exhibition was featured on the Bank's website for virtual viewing.

Artist Ozge Topçu's spatial installation, "Hazne/Chamber", the second exhibition of the year, was held as part of the "Senkron" event which brings together digital art and spatial installation. Inspired by the concept of water, the artist's work not only allows interaction of the high-dimensional geometric form visuals and their projections with architecture, but also transforms the cymatic motifs created by sound frequencies of water and water molecules into high-dimensional geometric sculptures.

The last exhibition of the year was the "Benküre/Planet I Exhibition" which hosted the interdisciplinary works of artist duo Ha:ar – composed of sculptor Hande Şekerciler and rising media artist Arda Yalkin – in Zulfaris, one of the special historical buildings of Karakoy, between October and November. The digital exhibition was featured on the Bank's website.

With the aim of supporting young artists in the field of digital art and new media, the "Piksel, O'art" platform announced a collaboration which succeeded in pioneering invaluable training programs in this field. While mentoring, training, supporting, and community building, the "Piksel, O'art New Media Residency Program" – Masterclass trainings and debates will be implemented in order to explain the different types of digital art, their production methods, underlying technologies, and thinking methods to young artists and candidates from all fields of visual arts, as well as to help them understand digital technology and incorporate it into their workflows. Out of hundreds of applications, 10 young media artists were selected and gathered during a launch night in presence of the "Piksel" team, "Piksel" stakeholders, artists, collectors and art lovers, where the program details were highlighted.

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FINANCIAL STATEMENTS

Resolutions proposed by the Board of Directors to the Annual General Assembly of Shareholders

In May 2023, the Board of Directors of the Bank adopted the following proposals to the Annual General Assembly of shareholders relating to the approval of the financial statements, to the constitution of reserves, to the allocation of the annual results, and to a number of other matters falling within the prerogatives of the Ordinary General Assembly:

Proposal No. 1

The Ordinary General Assembly of shareholders of the Bank is invited to approve the Bank's accounts, in particular the balance sheet and the profit and loss statement as at and for the year ended on 31 December 2022, and to grant full discharge to the Chairman and members of the Board of Directors in respect of their management of the Bank's activities during the year 2022.

Proposal No. 2

The Ordinary General Assembly of shareholders of the Bank is invited to approve the transfer of the 2022 annual results in deduction of previously retained earnings, pursuant to the relevant circulars or memos of the Lebanese Banking Control Commission.

Other Proposals to the General Assembly

The Board of Directors of the Bank also adopted other proposals to the Annual General Assembly of shareholders to the effect of: (i) ratifying transactions that are subject to the approval of the Ordinary General Assembly of shareholders; (ii) authorising the entry into similar transactions during the year 2022; (iii) electing a new Board of Directors and determining the remuneration of its members; and (iv) other matters falling within the prerogatives of the Ordinary General Assembly, all as more fully described in the present Annual Report, in the enclosed financial statements, and in the other supporting documents addressed to the General Assembly and published separately.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK AUDI sal

Adverse Opinion

We have audited the consolidated financial statements of Bank Audi SAL (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of matters discussed in the "*Basis for Adverse Opinion*" section of our report, the accompanying consolidated financial statements do not present fairly the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

1. As disclosed in Note 2.1 to the consolidated financial statements, the Group did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") in the consolidated financial statements for the years ended 31 December 2022 and 2021, nor did the Group consider its effects on forecasts and discount rates used in accounting estimates (noting that the Lebanese Pound and Turkish Lira were defined as hyperinflationary from 2020 and 2022 respectively). In addition, as disclosed in Note 26, the Group determined the carrying amount of land and real estate in Lebanon based on a valuation performed by an accredited external independent valuer in US Dollars and then translated it to Lebanese Pounds at the Sayrafa rate (LBP 38,000 for the US Dollar) as required by the Central Bank of Lebanon Intermediate Circular 659 and recognized a gain from revaluation in other comprehensive income, amounting to LBP 7,078 billion. In accordance with IAS 29, the historical cost should be restated to arrive at the correct monetary gain or loss, and then compared to the appraised amount, with the difference treated as required by IAS 16 – Property, Plant and Equipment ("IAS 16"); noting that, due to the lack of information and visibility on the impact of the current macroeconomic crisis in Lebanon, we were unable to conclude on the adequacy of the appraised amount. Had the Group applied the requirements of IAS 29, many elements and disclosures in the consolidated financial statements, including the comparative financial information for the year ended 31 December 2021, would have been materially different. The effects on the consolidated financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2021 was modified for same reasons.

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Basis for Adverse Opinion (continued)

2. Except for the exchange rate used for the translation of the appraised amount of land and real estate in Lebanon as described in paragraph 1 above, the Group translated its assets and liabilities denominated in foreign currencies and the assets and liabilities of its foreign operations as at 31 December, and all transactions in foreign currencies that occurred during the year then ended, using the official published exchange rates as disclosed in Note 1 to the consolidated financial statements. However, other exchange rates through legal exchange mechanisms are available, depending on the source and nature of the operation or balance. As per IAS 21, when several exchange rates are available, the rate to be used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Due to the uncertainties disclosed in Note 1 to the consolidated financial statements, management did not use the rate at which the future cash flows could have been settled. In addition, the Group engaged in several foreign currencies exchange transactions, at rates different than the official published exchange rate, which resulted in differences recorded in the income statement and statement of comprehensive income under "Losses resulting from exchange of foreign currencies" amounting to LBP 1,399 billion and LBP 2,223 billion respectively, noting that the latter is not an exchange component of a gain or loss recognized in other comprehensive income. Had the Group applied the requirements of IAS 21 and had the Group used the rate at which the future cashflows could have been settled, many accounts and disclosures in the consolidated financial statements would have been materially different. The effects on the consolidated financial statements from the departure of IAS 21 and the uncertainties relating to the appropriate exchange rates have not been determined. Our opinion for the year ended 31 December 2021 was modified for same reasons.

3. As at 31 December 2022, the Group holds balances with the Central Bank of Lebanon amounting to LBP 12,938 billion (31 December 2021: LBP 15,350 billion), a portfolio of Lebanese government treasury securities and Certificate of deposits (under financial assets at amortized cost) totalling LBP 5,636 billion (31 December 2021: LBP 6,790 billion), a portfolio of loans amounting to LBP 2,252 billion (31 December 2021: LBP 2,986 billion) and other balances with banks and other assets amounting to LBP 529 billion (31 December 2021: LBP 1,645 billion), concentrated in Lebanon which represent 53% of the Group's total assets as at 31 December 2022 (31 December 2021: 66%).

   As disclosed in Note 1, the consolidated financial statements do not include adjustments required by IFRS 9 – Financial Instruments to the carrying amounts of the above assets and to many related accounts and disclosures that would result from resolution of the uncertainties described in Note 1.

   Furthermore, the Group is engaging in several transactions involving modification of contractual cash flows, renegotiations, exchanges and extinguishment of financial assets and financial liabilities. The Group is not applying the requirements of IFRS 9 and assessing whether these transactions should be accounted for as modifications resulting in derecognition or no derecognition, nor is the Group calculating and accounting for the impact of such modifications, which constitutes a departure from the requirements of IFRS 9. The effects of this departure on the carrying amount of these financial instruments and related income statement accounts have not been determined. Our opinion for the year ended 31 December 2021 was modified for same reasons above.

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Basis for Adverse Opinion (continued)

Also, as disclosed in Note 48, management did not produce the information about the fair value of these assets and other financial instruments concentrated in Lebanon and these consolidated financial statements consequently do not include the fair value disclosures required by IFRS 13 – Fair Value Measurement.

Had such adjustments and disclosures been determined and made, many elements and related disclosures in the accompanying consolidated financial statements for the years ended 31 December 2022 and 31 December 2021 would have been materially different. The effects of the resolution of these uncertainties on the consolidated financial statements and disclosures have not been determined. Our opinion for the year ended 31 December 2021 was modified for same reasons explained above.

In addition, our opinion for the years ended 31 December 2021, 2020 and 2019 were modified because other assets included a receivable from Central Bank of Lebanon (LBP 1,280 billion, LBP 1,334 billion and LBP 1,110 billion respectively) recognized based on the estimated present value of the future cash flows expected to be received from the leverage arrangements in local currency entered into with the latter against a loan to a debtor that was set off, time deposits with the Central Bank of Lebanon that have been derecognized and Lebanese government Eurobonds that have been derecognized, as further described in Note 29. On 1 January 2022, these balances in addition to other related balances with the Central Bank of Lebanon were written off against accumulated losses as disclosed in Note 2.7.

Our opinion on the current period's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current period's figures and corresponding figures.

In addition, our opinion for the years ended 31 December 2021, 2020 and 2019 were modified because balances with the Central Bank of Lebanon included accumulated fair value adjustments from hedge accounting (LBP nil, LBP 264 billion and LBP 143 billion respectively), and the Group resolved to discontinue hedge accounting on 31 December 2021 and impaired the accumulated fair value adjustments at discontinuation date under "net impairment loss on financial assets" in the income statement for the year ended 31 December 2021, as disclosed in Notes 11 and 19.

Our opinion on the current period's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current period's figures and corresponding figures.

4. During the year ended 31 December 2021, the Group did not reclassify to the consolidated statement of income, cumulative fair value losses and cumulative foreign currency translation reserve amounting to LBP 597 billion relating to assets held for sale derecognized during the year. Instead, the Group transferred these cumulative reserves directly to retained earnings, which constitutes a departure from the requirements of IAS 1 and IFRS 5. Accordingly, the nominal amount (before application of IAS 29 and the impact of using appropriate exchange rates) of the profit from discontinued operations for the year ended 31 December 2021 should be decreased by LBP 597 billion and other comprehensive loss from discontinued operations should be decreased by the same amount. The effects of this matter on the consolidated financial statements from the non-application of IAS 29 (as referred to in paragraph 1 above) and the non-application of appropriate exchange rates (as referred to in paragraph 2 above) have not been determined.

   Our opinion on the current period's consolidated financial statements is also modified because of the possible effects of these matters on the comparability of the current period's figures and corresponding figures.

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Basis for Adverse Opinion (continued)

5. As at 31 December 2022, the Group holds equity instruments in entities operating in Lebanon amounting to LBP 111 billion held at fair value through other comprehensive income (2021: LBP 24 billion). The fair value of these instruments is measured based on observable and unobservable data holding a high level of uncertainty due to lack of reliable market evidence in light of the uncertainties described in Note 1. As such, it is not possible to determine the future effects that the economic crisis described in Note 1 would have on the carrying amounts of these assets. Consequently, we were unable to determine whether any adjustments should have been recorded on these amounts.

6. The financial statements of a consolidated subsidiary include a general provision of LBP 52 billion and related deferred tax assets of LBP 13 billion (2021: LBP 14 billion and LBP 3 billion respectively), which does not meet the recognition criteria of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". This general provision is provided by the consolidated subsidiary's management for the possible effects of the negative circumstances which may arise in economy or market conditions. Had this general provision not been recognized, the nominal amount (before application of IAS 29 and the impact of using appropriate exchange rates) of provisions and deferred tax assets would have decreased by LBP 52 billion and LBP 13 billion respectively and the nominal amount (before application of IAS 29 and the impact of using appropriate exchange rates) of net loss and other comprehensive income would have decreased by LBP 36 billion and LBP 8 billion respectively, and accumulated losses and other components of equity would have decreased by LBP 17 billion and LBP 6 billion, respectively, as of and for the year ended 31 December 2022. The effects of this matter on the consolidated financial statements from the non-application of IAS 29 (as referred to in paragraph 1 above) and the non-application of appropriate exchange rates (as referred to in paragraph 2 above) have not been determined. Our opinion for the year ended 31 December 2021 was modified for same reasons.

7. The events and conditions and practices that would not qualify as normal course of business in a non-crisis environment described in Note 1 and the matters described in paragraphs 1, 2 and 3 above and the impacts of the subsequent change of the official exchange rate described in Note 60 affect the financial position, liquidity, solvency and profitability of the Group, and expose the Group to increased litigation and regulatory risks. Significant uncertainty exists in relation to the outcome of the litigations, claims and investigations raised against the Group and the negative impact that they may have on the Group's offshore liquidity, foreign assets and foreign currency exposure as disclosed in Notes 1, 54A and 57. These events and conditions may cast significant doubt on the Group's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Group's ability to continue as a going concern. Our opinion for the year ended 31 December 2021 was modified for same reasons.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2022. Except for the matters described in the "*Basis for Adverse Opinion*" section of our report, we have determined that there are no other key audit matters to communicate in our report.

Other Information Included in the Group's 2022 Annual Report

Other information consists of the information included in the Group's Annual Report other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. As described in the "*Basis for Adverse Opinion*" section of our report, the consolidated financial statements do not include adjustments to the carrying amounts of the assets concentrated in Lebanon and related accounts and disclosures as a result of the resolution of the uncertainties stated in Note 1. Further, the Group did not apply the requirements of IAS 29 and IAS 21 in the consolidated financial statements. We have concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items in the Group's 2022 Annual Report affected by these matters.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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Semaan, Gholam & Co.

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

Ernst & Young

Ernst & Young

BDO, Semaan, Gholam & Co.

24 May 2023
Beirut, Lebanon

Consolidated Income Statement
For the Year Ended 31 December 2022

	Notes	2022 LBP Million	2021 LBP Million
CONTINUING OPERATIONS			
Interest and similar income	4	2,534,282	2,548,476
Interest and similar expense	5	(669,864)	(894,887)
Net interest income		1,864,418	1,653,589
Fee and commission income	6	357,926	254,616
Fee and commission expense	7	(580,647)	(188,176)
Net fee and commission (expense) income		(222,721)	66,440
Net trading loss	8	(1,228,879)	(1,181,386)
Net gain (loss) on derecognition of financial assets at amortised cost	9	28,061	(14,777)
Non-interest revenues from financial assets at fair value through other comprehensive income		129	443
Loss from associates under equity method	25	(222)	(1,243)
Other operating income	10	33,693	58,072
Total operating income		474,479	581,138
Net recovery (impairment loss) on financial assets	11	292,243	(163,782)
Net operating income		766,722	417,356
Personnel expenses	12	(618,249)	(438,053)
Other operating expenses	13	(701,856)	(248,922)
Depreciation of property and equipment and right-of-use assets	26	(52,677)	(51,678)
Amortisation of intangible assets	27	(17,669)	(19,819)
Total operating expenses		(1,390,451)	(758,472)
Operating loss		(623,729)	(341,116)
Net gain (loss) on disposal of fixed assets		4,569	(400)
Loss before tax from continuing operations		(619,160)	(341,516)
Income tax	14	(36,194)	(15,472)
Loss for the year from continuing operations		(655,354)	(356,988)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations, net of tax	45	-	79,625
Loss for the year		(655,354)	(277,363)
Attributable to:			
Equity holders of the parent		(673,985)	(285,751)
Loss for the year from continuing operations		*(673,985)*	*(365,376)*
Profit for the year from discontinued operations	45	*-*	*79,625*
Non-controlling interests		18,631	8,388
Profit for the year from continuing operations		*18,631*	*8,388*
Profit for the year from discontinued operations		*-*	*-*
		(655,354)	(277,363)
Loss per share:			
		LBP	LBP
Basic and diluted loss per share	15	(1,147)	(486)
Basic and diluted loss per share from continuing operations	15	(1,147)	(622)
Basic and diluted earnings per share from discontinued operations	15	-	136

Consolidated Statement of Comprehensive Income
For the Year Ended 31 December 2022

	Notes	2022 LBP Million	2021 LBP Million
Loss for the year from continuing operations		(655,354)	(356,988)
Profit for the year from discontinued operations		-	79,625
Other comprehensive 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		(139,516)	(359,197)
Net foreign currency translation		(139,516)	(359,197)
Cash flow hedge			
Net hedging (loss) gain arising during the year	19	(3,946)	6,045
Gain (loss) reclassified to income statement	19	(601)	13,345
Tax effects	14	1,478	(727)
Net change in cash flow hedge		(3,069)	18,663
Debt instruments at fair value through other comprehensive income			
Change in fair value during the year		83,141	(23,738)
Tax effects	14	(19,901)	4,649
Net gain (loss) on debt instruments at fair value through other comprehensive income		63,240	(19,089)
Total other comprehensive loss that will be reclassified to the income statement in subsequent periods from continuing operations		(79,345)	(359,623)
Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations			
Loss resulting from exchange of foreign currencies	8	*(2,223,636)*	-
Revaluation of lands and buildings			
Revaluation gain	26	7,077,786	-
Tax effects	14	(367,206)	-
Net revaluation of lands and buildings		6,710,580	-
Remeasurement losses on defined benefit plans			
Actuarial loss on defined benefits plans	37	(57,501)	(78,028)
Tax effects	14	(11,261)	13,579
Net remeasurement losses on defined benefit plans		(68,762)	(64,449)
Equity instruments at fair value through other comprehensive income			
Net unrealised gains (losses)		13,227	(4,222)
Tax effects	14	(2,453)	(96)
Net unrealised gains (losses) on equity instruments at fair value through other comprehensive income		10,774	(4,318)
Total other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations		4,428,956	(68,767)
Other comprehensive income (loss) for the year from continuing operations, net of tax		4,349,611	(428,390)
Other comprehensive income (loss) for the year from discontinued operations, net of tax	45	-	(8,971)
Total comprehensive income (loss) for the year from continuing operations, net of tax		3,694,257	(785,378)
Total comprehensive income for the year from discontinued operations, net of tax	45	-	70,654
Total comprehensive income (loss) for the year, net of tax		3,694,257	(714,724)
Attributable to:			
Equity holders of the parent		3,691,523	(641,222)
Non-controlling interests		2,734	(73,502)
		3,694,257	(714,724)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 LBP Million	2021 LBP Million
ASSETS			
Cash and balances with central banks	16	14,304,554	18,917,582
Due from banks and financial institutions	17	3,016,766	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	18	216,397	127,877
Derivative financial instruments	19	119,143	287,067
Financial assets at fair value through profit or loss	20	256,745	161,038
Loans and advances to customers at amortised cost	21	5,871,120	7,079,127
Loans and advances to related parties at amortised cost	22	64,475	70,485
Debtors by acceptances		7,055	55,891
Financial assets at amortised cost	23	7,055,456	7,284,909
Financial assets at fair value through other comprehensive income	24	1,031,841	1,164,880
Investments in associates	25	14,359	14,581
Property and equipment and right-of-use assets	26	7,646,768	589,211
Intangible assets	27	60,777	65,876
Assets obtained in settlement of debt	28	163,400	131,662
Other assets	29	662,458	1,764,616
Deferred tax assets	14	57,195	48,552
Goodwill	30	42,442	42,419
TOTAL ASSETS		40,590,951	40,486,447
LIABILITIES			
Due to central banks	31	2,733,967	3,544,463
Due to banks and financial institutions	32	583,485	574,999
Due to banks under repurchase agreements	32	49,799	38,610
Derivative financial instruments	19	54,560	330,824
Customers' deposits	33	29,100,938	30,156,393
Deposits from related parties	34	116,350	145,494
Debt issued and other borrowed funds	35	823,443	1,232,271
Engagements by acceptances		7,055	55,891
Other liabilities	36	405,821	358,782
Current tax liabilities	14	28,996	6,614
Deferred tax liabilities	14	100,297	2,356
Provisions for risks and charges	37	530,898	283,557
TOTAL LIABILITIES		34,535,609	36,730,254
SHAREHOLDERS' EQUITY – GROUP SHARE			
Share capital – common shares	38	982,859	982,859
Share capital – preferred shares	38	10,020	10,020
Issue premium – common shares	38	902,290	902,290
Issue premium – preferred shares	38	894,480	894,480
Cash contribution to capital	39	72,586	72,586
Non-distributable reserves	40	2,529,255	1,869,717
Distributable reserves	41	35,995	496,533
Treasury shares	43	(9,537)	(9,190)
Accumulated losses		(4,193,502)	(90,155)
Other components of equity	44	5,408,056	(1,181,287)
Result of the year		(673,985)	(285,751)
		5,958,517	3,662,102
NON-CONTROLLING INTERESTS	46	96,825	94,091
TOTAL SHAREHOLDERS' EQUITY		6,055,342	3,756,193
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		40,590,951	40,486,447

Consolidated Statement of Cash Flow

For the Year Ended 31 December 2022

	Notes	2022 LBP Million	2021 LBP Million
OPERATING ACTIVITIES			
Loss before tax from continuing operations		(619,160)	(341,516)
Profit before tax discontinued operations	45	-	45,889
Adjustments for non-cash items:			
Depreciation and amortisation	26 & 27	70,346	71,497
Net (gain) loss on derecognition of financial instruments at amortised cost	9	(28,061)	14,777
Net (recovery) impairment loss on financial assets	11	(292,243)	163,782
Other loss resulting from leverage arrangements	8	-	59,891
Loss from associates under equity method	25	222	1,243
Net (gain) loss on sale or disposal of fixed assets		(4,569)	400
Provision for risks and charges		197,851	49,414
Write-back of provisions for risks and charges		(1,351)	(4,631)
		(676,965)	60,746
Changes in operating assets and liabilities:			
Balances with the central banks, banks and financial institutions maturing in more than 3 months		2,696,517	922,553
Change in derivatives and financial assets held for trading		(205,507)	64,713
Change in loans and advances to customers and related parties		1,361,855	2,217,507
Change in other assets		(207,217)	(271,040)
Change in deposits from customers and related parties		(1,071,384)	(2,083,686)
Change in other liabilities		61,387	(53,824)
Change in provisions for risks and charges		57,501	78,028
Cash from operations		2,016,187	934,997
Provisions for risks and charges paid		(10,154)	(17,100)
Taxation paid		(319,610)	(75,288)
Net cash from operating activities		1,686,423	842,609
INVESTING ACTIVITIES			
Change in financial assets – other than trading		440,759	716,154
Purchase of property and equipment and intangibles	26 & 27	(58,115)	(47,755)
Proceeds from sale of an associate		-	28,630
Proceeds from sale of property and equipment and intangibles		7,249	4,878
Proceeds from sale of assets obtained in settlement of debt		98,125	171,576
Proceeds from sale of assets held for sale		-	990,546
Net cash from investing activities		488,018	1,864,029
FINANCING ACTIVITIES			
Debt issued and other borrowed funds	35	(408,828)	(85,542)
Lease liability payments	36	(12,102)	(21,486)
Net cash used in financing activities		(420,930)	(107,028)
CHANGE IN CASH AND CASH EQUIVALENTS		1,753,511	2,599,610
Foreign exchange differences		(141,026)	(332,876)
Loss resulting from exchange of foreign currencies		(2,223,636)	-
Cash and cash equivalents at 1 January		8,606,484	6,339,750
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	47	7,995,333	8,606,484
Operational cash flows from interest and dividends			
Interest paid		(729,937)	(883,452)
Commissions paid		(547,064)	(155,845)
Interest received		2,601,641	2,603,537
Dividends received		465	766

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2022

	Attributable to the Equity Holders of the Group														
	Share Capital - Common Shares	Share Capital - Preferred Shares	Issue Premium - Common Shares	Issue Premium - Preferred Shares	Cash Contribution to Capital	Non-distributable Reserves	Distributable Reserves	Treasury Shares	Accumulated losses	Other Components of Equity	Reserves Related to Assets Held for Sale	Result of the Year	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**
Adjustment related to prior years (note 2.7.)	-	-	-	-	-	-	-	-	(1,395,086)	-	-	-	(1,395,086)	-	**(1,395,086)**
Adjusted balance at 1 January 2022	**982,859**	**10,020**	**902,290**	**894,480**	**72,586**	**1,869,717**	**496,533**	**(9,190)**	**(1,485,241)**	**(1,181,287)**	**-**	**(285,751)**	**2,267,016**	**94,091**	**2,361,107**
Net loss for the year from continuing operations	-	-	-	-	-	-	-	-	-	-	-	(673,985)	(673,985)	18,631	(655,354)
Other comprehensive income from continuing operations	-	-	-	-	-	-	-	-	(2,223,636)	6,589,144	-	-	4,365,508	(15,897)	4,349,611
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**		**(2,223,636)**	**6,589,144**	**-**	**(673,985)**	**3,691,523**	**2,734**	**3,694,257**
Appropriation of 2021 losses	-	-	-	-	-	14,861	-	-	(300,612)	-	-	285,751	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	(347)	-	-	-	-	(347)	-	(347)
Sale of FVTOCI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer between reserves	-	-	-	-	-	644,677	(460,538)	-	(184,338)	199	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	325	-	-	-	325	-	325
Balance at 31 December 2022	**982,859**	**10,020**	**902,290**	**894,480**	**72,586**	**2,529,255**	**35,995**	**(9,537)**	**(4,193,502)**	**5,408,056**	**-**	**(673,985)**	**5,958,517**	**96,825**	**6,055,342**
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 year from continuing operations	-	-	-	-	-	-	-	-	-	-	-	(365,376)	(365,376)	8,388	(356,988)
Net profit from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	79,625	79,625	-	79,625
Other comprehensive loss from continuing operations	-	-	-	-	-	-	-	-	-	(346,500)	-	-	(346,500)	(81,890)	(428,390)
Other comprehensive loss from discontinued operations	-	-	-	-	-	-	-	-	-	-	(8,971)	-	(8,971)	-	(8,971)
Total comprehensive loss	-	-	-	-	-	-	-	-	-	(346,500)	(8,971)	(285,751)	(641,222)	(73,502)	(714,724)
Appropriation of 2020 losses	-	-	-	-	-	9,392	-	-	(234,539)	-	-	225,147	-	-	-
Entities deconsolidated	-	-	-	-	-	(326,151)	-	-	(195,160)	(75,537)	596,848	-	-	-	-
Sale of FVTOCI	-	-	-	-	-	-	-	-	29,242	(6,304)	-	-	22,938	-	22,938
Transfer between reserves	-	-	-	-	-	(23,185)	479,263	-	(456,746)	510	-	-	(158)	158	-
Other movements	-	-	-	-	-	-	-	-	(441)	-	-	-	(441)	-	(441)
Balance at 31 December 2021	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

Notes to the Consolidated Financial Statements

As at 31 December 2022

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1.0. Corporate Information

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

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

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

1.1. Macroeconomic Environment

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

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

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

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

(a) Subsidised imports of essential goods (fuel oil, medicine and wheat) by providing foreign currencies for these imports at the rate of LBP 1,507.5/USD (the official exchange rate). During 2021, this subsidy was lifted.

(b) Introduced the BdL Basic Circular 151 rate, to be used only in specific circumstances.

(c) Subsidised imports of Tier 2 food basket products (e.g. coffee, tea, canned food, imported meat) by providing foreign currencies for these imports at the Platform Rate. During 2021, this subsidy was lifted.

(d) Introduced exceptional measures for bank depositors to withdraw small amounts of cash in LBP from their "local" foreign currency bank accounts at the Platform Rate, but up to limits set by the Bank.

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

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

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

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

Lebanese Government's Financial Recovery Plan

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

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

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

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

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

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

International Monetary Fund (IMF)

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

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

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

As of date, Parliament approved the reformed bank secrecy law and the 2022 budget.
While not much progress was achieved on other fronts, the IMF issued in March 2023 the concluding statement of its 2023 Article IV Mission. It says Lebanon is at a particularly difficult juncture. For over three years, it has been facing an unprecedented crisis, with severe economic dislocation, a dramatic depreciation of the Lebanese lira and triple-digit inflation that have had a staggering impact on people's lives and livelihoods. Unemployment and emigration have increased sharply, and poverty is at historically high levels. The provision of basic services like electricity, public health, and public education has been severely disrupted, and essential social support programs and public investment have collapsed. More broadly, capacity in public administration has been critically weakened. Banks are unable to extend credit to the economy and bank deposits are mostly inaccessible to customers. The presence of a large number of refugees exacerbates Lebanon's challenges.

Maritime Border Demarcation Agreement

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

Presidential Vacuum

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

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

1.2. Regulatory Environment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Intermediate Circular 568 issued on 26 August 2020 (amending Basic Circular 81) and allowing the payments of retail loans denominated in US Dollars in Lebanese Pounds based on the official exchange rate of LBP 1,507.5 to the US Dollar subject to the following conditions:
  - The client should be a Lebanese resident.
  - The client should not have a bank account denominated in US Dollars.
  - The housing loans granted to the client should not exceed USD 800,000 while the aggregate amount of retail loans should not exceed USD 100,000 per client.
  - On 20 January 2023, Intermediate Circular 656 revoked the aforementioned provision effective 1 February 2023.

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

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

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

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

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

USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3. Particular Situation of the Group

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

	2022		2021	
	Year-end Rate LBP	Average Rate LBP	Year-end Rate LBP	Average Rate LBP
US Dollar	1,507.5	1,507.5	1507.5	1507.5
Euro	1,603.83	1,594.38	1,701.52	1,786.92
Swiss Franc	1,628.67	1,585.95	1,639.48	1,653.63
Turkish Lira	80.61	93.13	111.75	172.84
Jordanian Dinar	-	-	2,126.23	2,126.23
Egyptian Pound	-	-	95.88	95.98
Saudi Riyal	401.09	401.52	401.53	401.89
Qatari Riyal	412.56	412.17	414.03	413.04
Iraqi Dinar	-	-	1.03	1.03

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

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

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

	Rate as at 31 December 2022	Average Rate for the Year Ended 31 December 2022	Rate as at 31 December 2021	Average Rate for the Year Ended 31 December 2021
	LBP	LBP	LBP	LBP
US Dollar	38,000	26,146	22,700	16,700

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

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

- On 20 January 2023, and as a prelude to the change of the official rate effective 1 February 2023 from LBP 1,507.5 to LBP 15,000 to the US Dollar, the Central Bank of Lebanon issued Intermediate Circulars 657 and 658 amending rates used in Basic Circular 151 and Basic Circular 158 respectively from LBP 8,000 and LBP 12,000 to LBP 15,000.

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

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

The carrying amounts of total assets, liabilities and shareholders' equity as at 31 March 2023 were reported at LBP 277,647,677 million, LBP 257,124,048 million and LBP 20,523,629 million, respectively.

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

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

The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. 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 53 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 private loans portfolio of Lebanese entities has significantly contracted since the onset of the Lebanese crisis as it decreased from LBP 5,907,022 million at 31 December 2019 to LBP 2,355,971 million at 31 December 2022. With all other variables held constant, Management believes that the significant devaluation of the Lebanese Pound (and de facto "local" US Dollars) and the triple digit inflation, reduced the risks of default compared to 31 December 2019. However, given the high level of uncertainties facing the Lebanese economy and the expected type of instruments underlying future cash flows on settlement of these private loans, loss allowances have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Group's portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in Note 53 to these consolidated financial statements.

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

Litigations and Claims

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

Measures by the Bank

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The Bank submitted to the regulators a calculation for meeting the regulatory requirement of 3% liquidity ratio with foreign banks in accordance with Central Bank of Lebanon Basic Circular 154.

- Re-establishing normal banking services with the active promotion of the "External Account" platform.

- Improving operational efficiency and strengthening governance by:
  - Building up on the synergies achieved from the merger of both Audi Private Bank sal and Audi Investment Bank sal under Bank Audi sal.
  - Implementing a cost optimisation plan.

- Significantly reducing its net positions in foreign currencies from a short position to a long position in view of managing risks from fluctuation of exchange rates and the significant devaluation of the LBP, on its income statement and equity. The reduction of the net open position was achieved through purchases of local foreign currencies from customers during 2022 and 2021 resulting in booked losses in other comprehensive income of LBP 2,223,636 million in 2022 (2021: booked losses in the income statement of LBP 1,244,881 million) (Note 8). Net foreign exchange positions that would have an effect on the Group's income statement and equity are disclosed in Note 54 to these consolidated financial statements.

All of these measures have helped strengthen the Group's financial position, including international liquidity and solvency metrics. However, as at 31 December 2022, consolidated capital adequacy ratios stood at 6.33%, 8.86% and 9.81% for CET1, Tier 1 and Total CAR respectively, above the minimum regulatory levels of 5.25%, 6.75% and 8.75% applicable in 2022 (including a capital conservation buffer of 0.75%). Despite the forbearance measures and temporary reliefs introduced by the Central Bank of Lebanon's circulars, capital ratios have nonetheless dropped from 10.04%, 12.89% and 14.52% for CET1, Tier 1 and Total CAR respectively as at 31 December 2021. Additional negative impact is anticipated from the application of the new official exchange rate of LBP 15,000 to the US Dollar effective 1 February 2023, upon translation of FCY-denominated risk-weighted assets. Based on the Group's assessment of the impact of the application of the new official exchange rate as at 31 March 2023 and based on the existing guidelines provided by the regulator, consolidated capital adequacy ratios stood at 6.13%, 6.50% and 7.81% for CET1, Tier 1 and Total CAR respectively.

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 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, as well as the implementation of a clear national fiscal and economic recovery plan are resolved.

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

2.0. Accounting Policies

2.1. Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis except for: a) the revaluation of land and buildings pursuant to the adoption of the revaluation model of IAS 16 for this asset class, and b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss, and financial assets at fair value through other comprehensive income.

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

As of 31 December 2022 and 2021, all conditions have been met for the Group's financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analysing the behaviour of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 1,670% and 122%, respectively, as of December 2022 (2021: 753% and 224%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020. As of March 2022, and based on the inflation data published by the Turkey Statistical Institute on 4 April 2022, the three-year cumulative increase in the Consumer Price Index was 109.4%. Accordingly, the Turkish economy was defined as an hyperinflationary economy, and consequently IAS 29 should be implemented on the financial statements of the Group's subsidiary in Turkey starting for periods ending on or after 30 June 2022.

Therefore, entities whose functional currency is the Lebanese Pound or Turkish Lira should restate their financial statements to reflect the effects of inflation in conformity with IAS 29. Such restatements 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 current measuring unit at the end of the current reporting period. The equity components, except for reserved earnings and undistributed retained earnings, shall also be restated, and the amount of undistributed retained earnings shall be determined by the difference between net assets restated at the date of transition and the other components of opening equity expressed as indicated above, once all remaining equity components are restated.

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

The Group uses the official exchange rate of LBP 1,507.5/USD1 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.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and the regulations of the Central Bank of Lebanon and the Banking Control Commission ("BCC").

Presentation of Financial Statements

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the statement of financial position date (current) and more than one year after the statement of financial position date (non-current) is presented in these Notes.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are offset and the net amount is reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis – or to realise the assets and settle the liability simultaneously – in all of the following circumstances: a) the normal course of business, b) the event of default, and c) the event of insolvency or bankruptcy of the Group and/or its counterparties. Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement. This is not generally the case with master netting agreements; therefore the related assets and liabilities are presented gross in the consolidated statement of financial position. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group. The effect of netting arrangements is disclosed in Notes 31 and 53.5.

2.2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Bank Audi sal and its subsidiaries as at 31 December 2022. Details of the principal subsidiaries are given in Note 46.

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.

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

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

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

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

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

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

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned by the Group. The Group has elected to measure the non-controlling interests in acquirees at the proportionate share of each acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Group are reported in consolidated equity as non-controlling interests.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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

2.3. New and Amended Standards and Interpretations

The Group applied for the first time certain amendments to the standards which are effective for annual periods beginning on or after 1 January 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 did not 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 did not have a material impact on the Group.

Other new and amended standards that did not have a material impact on the Group:
• Reference to the Conceptual Framework – Amendments to IFRS 3.
• Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases.

2.4. Standards Issued but not yet Effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2022, with the Group not opting for early adoption. These have therefore not been applied in preparing these consolidated financial statements. The most significant of these new standards, amendments and interpretations are as follows:

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.

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The Group is currently assessing the impact of the amendments on its financial statements.

2.5. Summary of Significant Accounting Policies

Business Combinations and Goodwill

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

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

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

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.
The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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

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

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

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

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

Foreign Currencies

The consolidated financial statements are presented in Lebanese Pound (LBP) which is also the Bank's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Bank uses the step-by-step method of consolidation.

(i) Transactions and Balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction (as disclosed in Note 1).

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange (as disclosed in Note 1) at the date of the statement of financial position. All differences are taken to "net trading (loss) gain" in the consolidated income statement, except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement, respectively).

(ii) Group Companies

On consolidation, the assets and liabilities of subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange as at the reporting date (as disclosed in Note 1), and their income statements are translated at the monthly average exchange rates for the year (as disclosed in Note 1). Exchange differences arising on translation are recognised in OCI. On disposal of a foreign entity, the deferred cumulative amount recognised in OCI relating to that particular foreign operation is reclassified to the consolidated income statement.

(ii) Group Companies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the exchange rate on the reporting date (as disclosed in Note 1).

Financial Instruments – Initial Recognition

(i) Date of Recognition

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

(ii) Initial Measurement of Financial Instruments

Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. In the case of a financial instrument measured at fair value, with the change in fair value being recognised in the income statement, the transaction costs are recognised as revenue or expense when the instrument is initially recognised.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

(iii) Day 1 Profit or Loss

When the transaction price differs from the fair value at origination and the fair value is based on a valuation technique using only observable inputs in market transactions, the Group immediately recognises the difference between the transaction price and fair value (a "Day 1" profit or loss) in the consolidated income statement. In cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Financial Assets – Classification and Measurement

On initial recognition, financial assets are classified as measured at: amortised cost, fair value through other comprehensive income, or fair value through profit or loss on the basis of two criteria:
(i) The business model within which financial assets are measured; and
(ii) Their contractual cash flow characteristics (whether the cash flows represent "solely payments of principal and interest" (SPPI)).

Financial assets are measured at amortised cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

All other financial assets are classified as measured at fair value through profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

On initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group is required to disclose such financial assets separately from those mandatorily measured at fair value.

Business Model

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to Management.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's Key Management Personnel.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
- How Managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the Group needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the Group's business model for managing those financial assets changes, the Group is required to reclassify financial assets.

The SPPI Test

As a second step of its classification process, the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value though profit and loss.

Financial Assets at Amortised Cost

Balances with Central Banks, Due from Banks and Financial Institutions, Loans to Banks and Financial Institutions and Reverse Repurchase Agreements, Loans and Advances to Customers and Related Parties at Amortised Cost, and Financial Assets at Amortised Cost.

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at amortised cost using the EIR, less expected credit losses. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in "interest and similar income" in the consolidated income statement. Losses arising from impairment are recognised in the consolidated income statement in "net impairment loss on financial assets". Gains and losses arising from the derecognition of financial assets measured at amortised cost are reflected under "net loss on sale of financial assets at amortised cost" in the consolidated income statement.

Financial Assets at Fair Value through Other Comprehensive Income

Debt Instruments at Fair Value through Other Comprehensive Income

These financial assets are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income. Interest income and foreign exchange gains and losses are recognised in the income statement in the same manner as for financial assets measured at amortised cost. The ECL calculation for debt instruments at fair value through other comprehensive income is explained below. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are reclassified from other comprehensive income to the income statement.

Equity Instruments at Fair Value through Other Comprehensive Income

Upon initial recognition, the Group can elect to classify irrevocably some of its investments in equity instruments at fair value through other comprehensive income when they are not held for trading. Such classification is determined on an instrument-by-instrument basis.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments.

Dividends on these investments are recognised under "non-interest revenue from financial assets at fair value through other comprehensive income" in the consolidated income statement when the Group's right to receive payment of dividend is established in accordance with IFRS 15 "Revenue from contracts with customers", unless the dividends clearly represent a recovery of part of the cost of the investment. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Financial Assets at Fair Value through Profit or Loss

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

Debt Instruments at Fair Value through Profit or Loss and Loans and Advances at Fair Value

These financial assets are recorded in the consolidated statement of financial position at fair value. Transaction costs directly attributable to the acquisition of the instrument are recognised as revenue or expense when the instrument is initially recognised. Changes in fair value and interest income are recorded under "net trading (loss) gain" in the consolidated income statement. Gains and losses arising from the derecognition of debt instruments and other financial assets at fair value through profit or loss are also reflected under "net trading (loss) gain" in the consolidated income statement, showing separately those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Equity Instruments at Fair Value through Profit or Loss

Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income. These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividend income are recorded under "net trading (loss) gain" in the consolidated income statement. Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under "net trading (loss) gain" in the consolidated income statement.

Financial Liabilities (Other than Financial Guarantees, Letters of Credit and Loan Commitments) – Classification and Measurement

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

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

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

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

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

Debt Issued and Other Borrowed Funds

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

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

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

Due to Central Banks, Due to Banks and Financial Institutions, Due to Banks under Repurchase Agreements and Customers' and Related Parties' Deposits

After initial measurement, due to central banks, banks and financial institutions, bonds under repurchase agreements, and customers' and related parties' deposits are measured at amortised cost less amounts repaid using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method. Customers' deposits which are linked to the performance of indices or commodities are subsequently measured at fair value through profit or loss.

Derivatives Recorded at Fair Value through Profit or Loss

A derivative is a financial instrument or other contract with all three of the following characteristics:
a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (also known as the "underlying").
b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
c) It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, futures, credit derivatives, cross-currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities.

Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the notes. Changes in the fair value of derivatives are recognised in "net trading (loss) gain" in the consolidated income statement, unless hedge accounting is applied, which is discussed in under "hedge accounting policy" below.

Embedded Derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.
An embedded derivative is separated from the host and accounted for as a derivative if, and only if:
(a) The hybrid contract contains a host that is not an asset within the scope of IFRS 9.
(b) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host.
(c) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
(d) The hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments

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

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

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments are not recorded in the statement of financial position. The nominal values of these instruments, together with the corresponding ECLs, are disclosed in these Notes.

Reclassification of Financial Assets

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

(i) Derecognition Due to Substantial Modification of Terms and Conditions

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

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

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

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

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

(ii) Derecognition Other than for Substantial Modification

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

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- The Group retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the "original asset"), but assumes a contractual obligation to pay those cash flows to one or more entities (the "eventual recipients"), when all of the following three conditions are met:

- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates.
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients.
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if:

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities

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

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

Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding consideration received (cash collateral provided) is recognised in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "due to banks under repurchase agreements", reflecting the transaction's economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or re-pledge the securities, the Group reclassifies those securities in its statement of financial position to "financial assets given as collateral".

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid (cash collateral provided), including accrued interest is recorded in the consolidated statement of financial position within "loans to banks and financial institutions and reverse repurchase agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "net interest income" and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "financial liabilities at fair value through profit or loss" and measured at fair value with any gains or losses included in "net trading (loss) gain" in the consolidated income statement.

Impairment of Financial Assets

(i) Overview of the ECL Principles

The Group records allowance for expected credit losses based on a forward-looking approach for all loans and other financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts, in this section all referred to as "financial instruments". Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of lifetime ECLs which represents the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Measurement of ECLs

The Group measures ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive.
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover.

They key inputs into the measurements of ECL are:

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

These parameters are generally derived from statistical models and other historical data. Forward-looking information is incorporated in ECL measurements.

The Group measures ECLs using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For these instruments with a remaining maturity of less than 12 months, probability of default corresponding to remaining term to maturity is used.
- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based

on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage, the allowance for credit losses captures the lifetime expected credit losses, similar to Stage 2.

(iii) Forborne and Modified Loans

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

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:
- At least a 12-month probation period has passed.
- Three consecutive payments under the new repayment schedule have been made.
- The borrower has no past dues under any obligation to the Group.
- All the terms and conditions agreed to as part of the restructuring have been met.

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

(iv) Credit-impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income, and finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:
- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default or past due event.
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security because of financial difficulties.

(v) Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to "net impairment loss on financial assets".

(vi) Debt Instruments at Fair Value through Other Comprehensive Income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the income statement. The accumulated loss recognised in OCI is recycled to the income statement upon derecognition of the assets.

(vii) Collateral Repossessed

The Group occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently, these properties are measured at the lower of carrying value or net realisable value.

Upon sale of repossessed assets, any gain or loss realised is recognised in the consolidated income statement under "other operating income" or "other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "reserves appropriated for capital increase" in the following financial year.

Fair Value Measurement

The Group measures financial instruments, such as derivatives and non-financial assets, namely land and building and building improvements, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in these Notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring and non-recurring fair value measurement. At each reporting date, Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Hedge Accounting

As part of its risk management, the Group has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in Note 19.

When a hedging relationship meets the specified hedge accounting criteria set out in IFRS 9, the Group applies one of the three types of hedge accounting: fair value hedges, cash flow hedges, or hedges of net investments in a foreign operation.

At the inception, the Group formally documents how the hedging relationship meets the hedge accounting criteria. It also records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness.

A hedging relationship qualifies for hedge accounting only if: (a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (b) at the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; and (c) the hedging relationship meets all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis in order to qualify for hedge accounting. The effectiveness test can be performed qualitatively or quantitatively. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and semi-annually on an ongoing basis. Hedge ineffectiveness is recognised in the consolidated income statement in "net trading (loss) gain".

The Group applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). The reliefs apply during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). A hedging relationship is affected if interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the Group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation.

(i) Fair Value Hedges

For qualifying fair value hedges, the gain or loss on the hedging instrument is recognised in the consolidated income statement under "net trading (loss) gain". Hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised in the consolidated income statement also under "net trading (loss) gain". If the hedged item is an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income, those amounts remain in other comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

(ii) Cash Flow Hedges

For qualifying cash flow hedge, a separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

a) The cumulative gain or loss on the hedging instrument from inception of the hedge.

b) The cumulative change in fair value (present value) of the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (the portion that is offset by the change in the cash flow hedge reserve described above) shall be recognised in other comprehensive income. Any remaining gain or loss on the hedging instrument is hedge ineffectiveness that shall be recognised in the consolidated income statement. The amount that has been accumulated in the cash flow hedge reserve and associated with the hedged item is treated as follows:

a) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability without affecting other comprehensive income.

b) For cash flow hedges other than those covered by a), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated income statement.

(iii) Hedge of Net Investments

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in the foreign currency translation reserve is transferred to the consolidated income statement as a reclassification adjustment.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.
The right-of-use assets are presented within "property, equipment and right-of-use assets" on the consolidated financial statements and are subject to impairment in line with the Group's policy, as described under "impairment of non-financial assets".

Depreciation charge for right-of-use assets is presented within "depreciation of property, and equipment and right-of-use assets" in the consolidated financial statements.

(ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included under "other liabilities". Moreover, the interest charge on lease liabilities is presented within "interest and similar expenses" in consolidated financial statements.

(iii) Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. Other rental expenses (including non-lease components paid to landlords) are presented within other operating expenses.

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue Recognition

The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and Similar Income and Expense

The Effective Interest Rate

Interest income and expense are recognised in the income statement applying the EIR method for all financial instruments measured at amortised cost, financial instruments designated at fair value through profit or loss, and interest-bearing financial assets measured at fair value through other comprehensive income.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, an entity shall take into account all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows and expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest Income and Interest Expense

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

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

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net amortised cost of the instrument. If the financial asset cures and is no longer credit-impaired, the Group reverts back to calculating interest income on a gross basis. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the amortised cost of the instrument. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the consolidated income statement includes:
- Interest on financial assets at amortised cost.
- Interest on debt instruments measured at fair value through other comprehensive income.
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows in the same period as the hedged cash flows affect interest income/expense.

Interest expense presented in the consolidated income statement includes:
- Financial liabilities measured at amortised cost.

- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on financial instruments measured at fair value through profit or loss are presented under "net trading (loss) gain" in the consolidated income statement.

(ii) Fee and Commission Income

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

Fee Income Earned from Services that Are Provided over a Certain Period of Time

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

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

Fee Income from Providing Transaction Services

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

(iii) Dividend Income

Dividend income is recognised when the right to receive the payment is established.

(iv) Net Trading (Loss) Gain

Net trading (loss) gain comprises gains and losses related to trading assets and liabilities, non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit or loss, and non-trading assets mandatorily measured at fair value through profit or loss. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Cash and Cash Equivalents

"Cash and cash equivalents" as referred to in the cash flow statement comprises balances with original maturities of a period of three months or less including cash and balances with central banks, deposits with banks and financial institutions, deposits due to banks and financial institutions, and repurchase and reverse repurchased agreements.

Property and Equipment

"Property and equipment", except for land and buildings, is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised since the date of revaluation. Valuations are performed by internal or external valuers with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the real estate revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated using straight line method to write down the cost of property and equipment to their residual value over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	40-50 years
• Freehold improvements	5-10 years
• Leasehold improvements	5-10 years
• Motor vehicles	5-7 years
• Office equipment and computer hardware	5-10 years
• Office machinery and furniture	10 years

Any item of property and equipment and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

Intangible Assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite of indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

The Group does not have intangible assets with indefinite economic life.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

• Computer software	5 years
• Key money	70 years

Assets obtained in Settlement of Debt, Assets Held for Sale and Discontinued Operations

Assets obtained in settlement of debt and assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, Management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Property, plant and equipment, and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and: a) represents a separate major line of business or geographical area of operations; b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resale.

In the consolidated income statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the loss of control. The resulting profit or loss (after taxes) is reported separately in the income statement.

Impairment of Non-financial Assets

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

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

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

Provisions for Risks and Charges

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Lebanon and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

Pensions and Other Post-employment Benefits

The Group provides retirement benefits obligations to its employees under defined benefit plans, which requires contributions to be made to separately administered funds. The cost of providing these benefits is determined using the projected unit credit method which involves making actuarial assumptions about discount rates and future salary increases. Those assumptions are unbiased and mutually compatible.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling excluding net interest, and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "personnel expenses" in consolidated statement of income:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

Taxes

Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

(i) Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred Tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognised directly in other comprehensive income are also recognised in other comprehensive income and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Dividends on Common Shares

Dividends on common shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Treasury Shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (Treasury shares) are deducted from equity and accounted for at cost. Consideration paid or received on the purchase sale, issue or cancellation of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Group holds own equity instruments on behalf of its clients, those holdings are not included in the Group's consolidated statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

Assets under Management and Assets Held in Custody and under Administration

The Group provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets held in trust, under management or under custody or under administration, are not treated as assets of the Group and, accordingly, are recorded as off-balance sheet items.

Customers' Acceptances

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

2.6. Significant Accounting Judgments and Estimates

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

Judgments

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

Going Concern

Notwithstanding the events and conditions disclosed in Note 1, these financial statements have been prepared based on the going concern assumption. The Board of Directors believe that they are taking all the measures available to maintain the viability of the Group and continue its operations in the current business and economic environment.

Impairment of Goodwill

Management's judgment is required in estimating the future cash flows of the CGUs. These values are sensitive to cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the term sustainable pattern of cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement for resulting forecasts to be compared with actual performance and verifiable economic data in future years, the cash flow forecasts necessarily and appropriately reflect Management's view of future business prospects.

Business Model

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice.
- How management evaluates the performance of the portfolio.
- Whether Management's strategy focuses on earning contractual interest revenues.
- The degree of frequency of any expected asset sales.
- The reason for any asset sales, and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual Cash Flows of Financial Assets

The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding, and so may qualify for amortised cost measurement. In making the assessment, the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Hedge Accounting

The Group's hedge accounting policies include an element of judgment and estimation. Estimates of future interest rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships. Details of the Group's hedge accounting policies and the sensitivities most relevant to risks are disclosed in these Notes.

The Group applies temporary reliefs which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

Determining the Lease Term of Contracts with Renewal and Termination Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise or not the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. a change in business strategy).

The Group included the renewal period as part of the lease term for leases of head offices and branches due to the significance of these assets to its operations. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and Assumptions

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

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimation is required to establish fair values. The judgments and estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty) funding value adjustments, correlation and volatility.

Impairment Losses on Financial Instruments

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs. Components of the ECL models that are considered accounting judgments and estimates include:

- The Group's internal credit rating model.
- The Group's criteria for assessing if there has been a significant increase in credit risk.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs and their impact on ECL calculation.
- Selection of forward-looking macroeconomic scenarios and their probability of occurrence, to derive the ECL models.

As per internal policy, the Group regularly reviews its models in the context of actual loss experience and adjusts when necessary.

Impairment of Non-financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Revaluation of Property and Equipment

The Group carries its land and buildings and building improvements at fair value, with changes in fair value being recognised in other comprehensive income. These are valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The Group engaged an independent valuation specialist to assess fair values for property and equipment. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 26.

Pensions Obligation

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are highly sensitive to changes in these assumptions.

Leases – Estimating the Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.7. Correction Related to Prior Years

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

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

3.0. Segment Reporting

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

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

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

Business Segments

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

Corporate and Commercial Banking

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

Retail and Personal Banking

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

Treasury and Capital Markets

Provides Treasury services including transactions in money and capital markets for the Group's customers, manages investment and trading transactions (locally and internationally), and manages liquidity, foreign currency 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

	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	**272,000**	**488,118**	**1,087,875**	**16,425**	1,864,418
Non-interest income					
Net fee and commission expense	156,586	145,678	(537,148)	12,163	(222,721)
Financial operations	9,659	27,491	(1,016,873)	(220,966)	(1,200,689)
Share of loss of associates	-	-	-	(222)	(222)
Other operating income	92	3,383	284	29,934	33,693
Total non-interest expense	**166,337**	**176,552**	**(1,553,737)**	**(179,091)**	(1,389,939)
Total operating income	**438,337**	**664,670**	**(465,862)**	**(162,666)**	474,479
Net recovery on financial assets	109,318	149,839	33,086	-	292,243
Net operating income	**547,655**	**814,509**	**(432,776)**	**(162,666)**	766,722

	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	328,669	547,301	757,702	19,917	1,653,589
Non-interest income					
Net fee and commission income	86,420	113,823	(144,919)	11,116	66,440
Financial operations	(1,402)	31,910	(1,203,274)	(22,954)	(1,195,720)
Share of loss of associates	-	-	-	(1,243)	(1,243)
Other operating income	1,689	7,266	20	49,097	58,072
Total non-interest expense	86,707	152,999	(1,348,173)	36,016	(1,072,451)
Total operating income	415,376	700,300	(590,471)	55,933	581,138
Net impairment loss on financial assets	37,994	(16,958)	(184,818)	-	(163,782)
Net operating income	453,370	683,342	(775,289)	55,933	417,356

Financial Position Information

	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**
Investments in associates	-	-	-	14,359	14,359
Total assets	4,774,534	2,901,567	24,749,387	8,165,463	40,590,951
Total liabilities	4,856,224	24,386,881	4,126,942	1,165,562	34,535,609

	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
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 58,115 million for the year 2022 (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 1,644,046 million for the year 2022 (2021: LBP 1,640,294 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:

	2022 LBP Million	2021 LBP Million
Interest and similar income		
Central Bank of Lebanon	1,506,795	1,448,781
Lebanese sovereign	137,251	191,513
	1,644,046	1,640,294

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

	2022			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Net interest income	**1,541,589**	**269,991**	**52,838**	1,864,418
Non-interest income				
Net fee and commission expense	(309,128)	29,772	56,635	(222,721)
Financial operations	(1,166,292)	474	(34,871)	(1,200,689)
Share of loss of associates	(222)	-	-	(222)
Other operating income	9,750	22,990	953	33,693
Total non-interest expense	**(1,465,892)**	**53,236**	**22,717**	(1,389,939)
Total external operating income	**75,697**	**323,227**	**75,555**	474,479
Net recovery on financial assets	301,705	(45,945)	36,483	292,243
Net external operating income	**377,402**	**277,282**	**112,038**	766,722

	2021			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	1,452,160	176,085	25,344	1,653,589
Non-interest income				
Net fee and commission income	(37,270)	34,410	69,300	66,440
Financial operations	(1,210,202)	(9,008)	23,490	(1,195,720)
Share of loss of associates	(1,243)	-	-	(1,243)
Other operating income	33,932	15,743	8,397	58,072
Total non-interest expense	(1,214,783)	41,145	101,187	(1,072,451)
Total external operating income	237,377	217,230	126,531	581,138
Net impairment loss on financial assets	(128,820)	5,992	(40,954)	(163,782)
Net external operating income	108,557	223,222	85,577	417,356

Financial Position Information

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

	2021			
	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

4.0. Interest and Similar Income

	2022 LBP Million	2021 LBP Million
Balances with central banks	1,305,771	1,216,416
Due from banks and financial institutions	37,194	4,924
Loans to banks and financial institutions and reverse repurchase agreements	26,363	32,927
Loans and advances to customers at amortised cost	506,767	662,410
Loans and advances to related parties at amortised cost	682	1,264
Financial assets classified at amortised cost	428,917	436,406
Debt instruments classified at fair value through other comprehensive income	228,588	194,129
	2,534,282	2,548,476

Withholding taxes amounting to LBP 165,096 million were deducted from interest and similar income (2021: LBP 225,543 million).

The components of interest and similar income from loans and advances to customers at amortised cost are detailed as follows:

	2022 LBP Million	2021 LBP Million
Corporate and SME	429,797	545,775
Retail and Personal Banking	76,970	116,635
	506,767	662,410

The components of interest and similar income from financial assets classified at amortised cost are detailed as follows:

	2022 LBP Million	2021 LBP Million
Lebanese sovereign and Central Bank of Lebanon	335,890	420,651
Other sovereign	33,274	9,713
Private sector and other securities	59,753	6,042
	428,917	436,406

The components of interest and similar income from financial assets classified at fair value through other comprehensive income are detailed as follows:

	2022 LBP Million	2021 LBP Million
Other sovereign	166,897	133,766
Private sector and other securities	61,691	60,363
	228,588	194,129

5.0. Interest and Similar Expense

	2022 LBP Million	2021 LBP Million
Due to central banks	100,212	159,514
Due to banks and financial institutions	6,133	30,815
Due to banks under repurchase agreement	5,085	2,281
Customers' deposits	476,515	589,354
Deposits from related parties	505	4,355
Debt issued and other borrowed funds	78,561	103,986
Lease liabilities	2,853	4,582
	669,864	894,887

The components of interest and similar expense from customers' deposits are detailed as follows:

	2022 LBP Million	2021 LBP Million
Corporate and SME	83,503	72,816
Retail and Personal Banking	393,010	516,535
Public Sector	2	3
	476,515	589,354

6.0. Fee and Commission Income

	2022 LBP Million	2021 LBP Million
Credit-related fees and commissions	26,018	16,142
Brokerage and custody income	63,236	83,084
Commercial banking income	199,839	104,892
Electronic Banking	38,951	19,066
Trade Finance income	22,512	25,101
Corporate finance fees	285	333
Trust and fiduciary activities	2,184	2,261
Insurance brokerage income	1,740	2,258
Other fees and commissions	3,161	1,479
	357,926	254,616

7.0. Fee and Commission Expense

	2022 LBP Million	2021 LBP Million
Mark-up commission(*)	2,028	132,009
Commission for LBP banknotes(**)	545,036	23,836
Electronic Banking	14,534	15,645
Brokerage and custody fees	11,726	9,280
Commercial Banking expenses	4,692	4,709
Other fees and commissions	2,631	2,697
	580,647	188,176

(*) 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 starting 2020. Book losses from these transactions amounted to LBP 2,028 million during 2022 (2021: LBP 132,009 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 545,036 million recorded under commission expense (2021: LBP 23,836 million).

8.0. Net Trading Loss

	2022 LBP Million	2021 LBP Million
Gain on financial instruments at fair value through profit or loss	29,545	16,459
Foreign exchange	31,732	56,414
Derivatives	108,990	(40,026)
Other income (loss)	-	(59,891)
Loss resulting from exchange of foreign currencies(*)	(1,399,482)	(1,154,667)
Dividends	336	325
	(1,228,879)	(1,181,386)

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 4,657 million during 2022 (2021: LBP 3,779 million).

(*) During 2022, and in order to manage its USD/LBP FX position, the Group engaged in the following transactions:

- *On 11 November 2021, the Bank obtained the approval of the Central Bank of Lebanon to discontinue selling the latter the local foreign currencies purchased through the application of Basic Circular 151. During 2022, these transactions resulted in a loss of LBP 1,732,466 million recorded in the statement of comprehensive income (loss). (2021: LBP 1,112,535 million recorded in the income statement).*
- *During 2022, the Bank purchased from its customers local foreign currencies at rates below the rate specified in Basic Circular 151, which resulted in a loss of LBP 491,170 million recorded in the statement of comprehensive income (loss) (2021: LBP 132,346 million recorded in the income statement).*
- *During 2022, the Bank bought from the Central Bank of Lebanon USD 159 million in local Dollar at a rate of LBP 8,000 which resulted in a loss of LBP 1,032,307 million recorded in the income statement.*
- *During 2022, the Bank bought fresh dollars from customers at "Sayrafa" average rate to cover external committed expenses. This transaction resulted in a loss of LBP 173,049 million recorded in the income statement.*
- *During 2021, the Bank sold the Central Bank of Lebanon USD 10 million in US Dollar-denominated banknotes at a rate of LBP 12,550 which resulted in a gain of LBP 110,424 million recorded in the income statement.*
- *During 2022, certain subsidiaries also engaged into exchanges of foreign currencies subject to de facto controls at rates different from the official published exchange rate, which resulted in a loss of LBP 194,126 million recorded in the income statement (2021: LBP 20,210 million).*

9.0. Net Gain (Loss) on Derecognition of Financial Assets at Amortised Cost

The Group derecognises some debt instruments classified at amortised cost for the purpose of currency risk management. The schedule below details the losses arising from the derecognition of these financial assets:

	2022 LBP Million	2021 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	(10,387)	(1,157)
Time deposits	1,753	-
Eurobonds	37,947	(13,620)
	29,313	(14,777)
Other sovereign		
Treasury bills	238	-
	238	-
Private sector and other securities		
Corporate debt instruments	(1,490)	-
	(1,490)	-
	28,061	(14,777)

10.0. Other Operating Income

	2022 LBP Million	2021 LBP Million
Safe rental	1,849	2,050
Release of provision for risks and charges (Note 37)	591	4,631
Release of provision for end of service indemnities (Note 37)	723	-
Income from disposal of assets acquired against debts (Note 28)	14,581	15,676
Gain on derecognition of an associate (Note 25)	-	13,807
Other income	15,949	21,908
	33,693	58,072

11.0. Net (Recovery) Impairment Loss on Financial Assets

	2022 LBP Million	2021 LBP Million
Re-measurements:		
Cash and balances with central banks	8,031	561
Due from banks and financial institutions	286	-
Loans to banks and financial institutions and reverse repurchase agreements	(4,101)	-
Loans and advances to customers at amortised cost	(151,081)	114,928
Loans and advances to related parties at amortised cost	(21)	(139)
Financial assets at amortised cost	(37,803)	45,664
Financial guarantees and other commitments	20,136	(6,717)
	(164,553)	154,297
Recoveries:		
Loans and advances to customers at amortised cost	(126,434)	(136,770)
Financial guarantees and other commitments	(37)	-
	(126,471)	(136,770)
Net direct recoveries	(1,219)	(4,238)
Write-off of accumulated amount of fair value hedge adjustments (Note 19)	-	150,493
	(292,243)	163,782

12.0. Personnel Expenses

	2022 LBP Million	2021 LBP Million
Salaries and related benefits	415,469	347,222
Social security contributions	49,442	35,951
End-of-service benefits (Note 37)	17,286	10,196
Transportation	49,099	10,818
Schooling	38,369	14,315
Medical expenses	24,636	7,794
Food and beverage	2,222	1,295
Training and seminars	1,251	1,390
Others	20,475	9,072
	618,249	438,053

13.0. Other Operating Expenses

	2022 LBP Million	2021 LBP Million
Rental charges under operating leases	16,413	8,238
Professional fees	33,568	20,587
Board of Directors' fees	1,634	1,464
Advertising fees	27,134	16,058
Taxes and similar disbursements	15,470	9,437
Outsourcing services	47,133	14,867
Premium for guarantee of deposits	16,034	18,981
Information technology	38,610	23,794
Donations and social aids	7,988	12,210
Provisions for risks and charges (Note 37)	168,272	30,144
Travel and related expenses	6,233	2,546
Telephone and mail	8,467	5,711
Electricity, water and fuel	151,726	22,508
Maintenance	38,743	9,860
Insurance premiums	5,231	6,160
Facilities services	24,664	8,371
Subscription to communication services	7,337	6,688
Office supplies	5,796	2,471
Receptions and gifts	1,036	470
Electronic cards expenses	6,255	3,056
Regulatory charges	9,628	6,308
Hospitalisation and medical care	50,128	6,491
Documentation and miscellaneous subscriptions	2,477	2,200
Others	11,879	10,302
	701,856	248,922

14.0. Income Tax

The components of income tax expense for the year ended 31 December are detailed as follows:

	2022 LBP Million	2021 LBP Million
Current tax		
Current income tax	86,497	13,465
Adjustment in respect of current income tax of prior years	-	6,060
Other taxes treated as income tax	227	37
	86,724	19,562
Deferred tax		
Relating to origination and reversal of temporary differences	(50,530)	(4,090)
	36,194	15,472

The components of operating loss before tax, and the differences between income tax expense reflected in the financial statements and the calculated amounts, are shown in the table below:

	2022 LBP Million	2021 LBP Million
Operating loss before tax from continuing operations	(619,160)	(341,516)
At applicable tax rate	(76,546)	(21,945)
Non-deductible expenses:		
Non-deductible expenses and losses for carry forward	11,862	14,609
Non-deductible provisions	38,620	94,801
Unrealised losses on financial instruments	18,170	77,357
Carried forward losses	173,603	20,918
Other non-deductibles	86,891	29,457
	329,146	237,142
Income not subject to tax:		
Revenues previously subject to tax	92,097	73,693
Provision recoveries previously subject to tax	54	120
Exempted revenues	-	66,666
Unrealised gains on financial instruments	31,813	46,779
Other deductibles	42,139	14,474
	166,103	201,732
Income tax	86,497	13,465
Effective income tax rate	(13.97%)	(3.94%)

The tax rates applicable to the parent and subsidiaries vary from 10% to 25% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense, and are based on the current understanding of the existing tax laws and regulations and tax practices.

The movement of current tax liabilities during the year is as follows:

	2022 LBP Million	2021 LBP Million
Balance at 1 January	6,614	78,748
Charges for the year	86,724	19,562
Transfer to tax regularisation accounts	(2,572)	(5,150)
Other transfers	-	(7,154)
	84,152	7,258
Less taxes paid:		
Current year tax liability	(48,570)	(378)
Prior year tax liabilities	(3,291)	(74,910)
	(51,861)	(75.288)
Foreign exchange difference	(9,909)	(4,104)
Balance at 31 December	28,996	6,614

Deferred taxes recorded in the consolidated statement of financial position result from the following items:

	2022			
	Deferred Tax Assets LBP Million	Deferred Tax Liabilities LBP Million	Income Statement from Continuing Operations LBP Million	Other Comprehensive Income from Continuing Operations LBP Million
Provisions	17,868	-	14,116	-
Impairment allowance on financial assets	34,575	-	27,013	-
Financial instruments at FVTOCI	(4,230)	1,906	-	(22,354)
Difference in depreciation rates	564	1,783	(371)	-
Defined benefit obligation	6,087	(2,849)	-	(11,261)
Revaluation of real estate	-	99,457	-	(367,206)
Cash flow hedge reserve	1,799	-	-	1,478
Other temporary differences	532	-	9,772	-
	57,195	100,297	50,530	(399,343)

	2021			
	Deferred Tax Assets LBP Million	Deferred Tax Liabilities LBP Million	Income Statement from Continuing Operations LBP Million	Other Comprehensive Income from Continuing Operations LBP Million
Provisions	7,829	-	8,570	-
Impairment allowance on financial assets	36,833	-	16,891	-
Financial instruments at FVTOCI	4,940	-	-	4,553
Difference in depreciation rates	995	1,783	(585)	-
Defined benefit obligation	14,403	(4,433)	-	13,579
Revaluation of real estate	-	4,992	-	-
Cash flow hedge reserve	721	-	-	(727)
Other temporary differences	(17,169)	14	(20,786)	-
	48,552	2,356	4,090	17,405

15.0. Loss per Share

Basic loss per share are calculated by dividing the loss for the year attributable to ordinary equity holders of the Bank by the weighted average number of common shares outstanding during the year. The Bank does not have arrangements that might result in dilutive shares. As such, diluted earnings per share was not separately calculated. The following table shows the income and share data used to calculate loss per share:

	2022 LBP Million	2021 LBP Million
Loss attributable to equity holders of the Bank from continuing and discontinued operations	(673,985)	(285,751)
Loss attributable to equity holders of the Bank from continuing operations	(673,985)	(365,376)
Profit attributable to equity holders of the Bank from discontinued operations	-	79,625
Weighted average number of shares outstanding	587,354,463	587,365,833
	LBP	LBP
Basic and diluted loss per share	(1,147)	(486)
Basic and diluted loss per share from continuing operations	(1,147)	(622)
Basic and diluted earnings per share from discontinued operations	-	136

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorisation of these consolidated financial statements.

16.0. Cash and Balances with Central Banks

	2022 LBP Million	2021 LBP Million
Cash on hand	193,825	773,840
Central Bank of Lebanon		
Current accounts	2,717,665	1,450,272
Time deposits	10,231,308	13,791,173
Accrued interest	217,595	327,722
	13,166,568	15,569,167
Other central banks		
Current accounts	781,972	2,194,747
Time deposits	390,643	599,123
	1,172,615	2,793,870
	14,533,008	19,136,877
Less: allowance for expected credit losses (Note 53)	(228,454)	(219,295)
	14,304,554	18,917,582

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. As at 31 December 2022, time deposits with the Central Bank of Lebanon amounting to LBP 5,443,000 million (2021: LBP 6,173,104 million) and term borrowings from the Central Bank of Lebanon are reported on a net basis on the statement of financial position (Note 31).
As at 31 December 2022, financial assets and financial liabilities that were settled on a net basis amounted to LBP 3,811,889 million (2021: LBP 3,081,785 million) (Note 31).

Unamortised premiums on time deposits with the Central Bank of Lebanon amounted to LBP 85,711 million as at 31 December 2021 and were written off by an adjustment to retained earnings at 1 January 2022 as disclosed in Note 2.7. Time deposits as at 31 December 2022 do not include any unamortised premiums.

Obligatory Reserves

- In accordance with the regulations of the Central Bank of Lebanon, banks operating in Lebanon are required to deposit with the Central Bank of Lebanon an obligatory reserve calculated on the basis of 25% of sight commitments and 15% of term commitments denominated in Lebanese Pounds. This is not applicable for investment banks which are exempted from obligatory reserve requirements on commitments denominated in Lebanese Pounds. Additionally, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon non- interest-bearing placements representing 15% of total deposits in foreign currencies regardless of nature.
- Subsidiary banks operating in foreign countries are also subject to obligatory reserve requirements determined based on the banking regulations of the countries in which they operate.

The following table summarises the Group's placements in central banks available against the obligatory reserves as of 31 December:

	2022			2021		
	Lebanese Pounds LBP Million	Foreign Currencies LBP Million	Total LBP Million	Lebanese Pounds LBP Million	Foreign Currencies LBP Million	Total LBP Million
Central Bank of Lebanon						
Current accounts	960,984	-	960,984	619,886	-	619,886
Time deposits	-	2,228,385	2,228,385	-	2,367,530	2,367,530
	960,984	2,228,385	3,189,369	619,886	2,367,530	2,987,416
Other central banks						
Current accounts	-	14,300	14,300	-	15,324	15,324
Time deposits	-	366,366	366,366	-	530,678	530,678
	-	380,666	380,666	-	546,002	546,002
	960,984	2,609,051	3,570,035	619,886	2,913,532	3,533,418

17.0. Due from Banks and Financial Institutions

	2022 LBP Million	2021 LBP Million
Current accounts	1,123,369	1,636,659
Time deposits	1,885,103	1,035,516
Checks for collection	191	1,055
Other amounts due	-	7,311
Accrued interest	8,574	837
	3,017,237	2,681,378
Less: allowance for expected credit losses (Note 53)	(471)	(704)
	3,016,766	2,680,674

As of 31 December 2022, due from banks and financial institutions include: (i) collaterals given to foreign banks for derivative transactions and trade finance amounting to LBP 50,298 million and LBP 25,723 million respectively (2021: LBP 174,282 million and LBP 35,939 million respectively); (ii) amounts subject to seizure from litigations against the Bank of LBP 4,450 million (2021: nil); and (iii) other restricted amounts of LBP 19,653 million (2021: LBP 11,974 million).

18.0. Loans to Banks and Financial Institutions and Reverse Repurchase Agreements

	2022 LBP Million	2021 LBP Million
Loans and advances	193,884	124,241
Reverse repurchase agreements	8,068	-
Accrued interest	14,445	7,236
	216,397	131,477
Less: allowance for expected credit losses (Note 53)	-	(3,600)
	216,397	127,877

The Group purchased Turkish Treasury bills under a commitment to resell them (reverse repurchase agreements). The securities were not included in the statement of financial position as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan and amounted to LBP 8,068 million at 31 December 2022.

19.0. Derivative Financial Instruments

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

Forwards and Futures

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

Options

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

Swaps

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

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

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

The Group has positions in the following type of derivatives:

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

31 December 2021	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 the Central Bank of Lebanon with a notional amount of LBP 1,582,875 million.

During December 2021, the criteria for hedge accounting was 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:

	2022 LBP Million	2021 LBP Million
At 1 January	-	264,430
Change in fair value	-	(113,937)
Amount impaired upon discontinuation of hedged accounting (Note 11)	-	(150,493)
At 31 December	-	-

Cash Flow Hedges of Interest Rate Risk

As of 31 December 2022, interest rate swaps were held as hedging instrument against borrowing from banks and financial institutions for a notional amount of USD 47 million (equivalent to LBP 70,534 million), having maturities ranging between January 2022 and June 2026 and paying an average fixed interests rate of 20.47%. For calculating hedge ineffectiveness, change in fair value of the hedging instruments and the hedged items were a loss of LBP 3,061 million and LBP 3,061 million respectively (2021: gain of LBP 8,220 million and LBP 8,220 million respectively). Currency translation losses amounted to LBP 885 million (2021: LBP 2,175 million). No ineffectiveness from these hedges was recognised in profit or loss as the hedging instrument and the hedge item are closely aligned.

Cash flow hedge reserves related to continued and discontinued hedges are LBP 3,504 million and nil respectively (2021: LBP 2,044 million and nil respectively). Gain on cash flow hedges reclassified to the income statement amounted to LBP 601 million (2021: Loss of LBP 13,345 million).

20.0. Financial Assets at Fair Value Through Profit or Loss

	2022 LBP Million	2021 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Eurobonds	16,168	1,267
Other sovereign		
Treasury bills and bonds	967	201
Private sector and other securities		
Banks and financial institutions	199,805	113,968
Mutual funds	37,719	43,454
Equity instruments	2,086	2,148
	239,610	159,570
	256,745	161,038

21.0. Loans and Advances to Customers at Amortised Cost

	2022 LBP Million	2021 LBP Million
Corporate and SME	4,840,238	5,783,462
Retail and Personal Banking	1,870,506	2,537,135
Public sector	51,088	53,781
	6,761,832	8,374,378
Less: allowance for expected credit losses (Note 53)	(890,712)	(1,295,251)
	5,871,120	7,079,127

22.0. Loans and Advances to Related Parties at Amortised Cost

	2022 LBP Million	2021 LBP Million
Corporate and SME	616	169
Retail and Personal Banking	63,860	70,338
	64,476	70,507
Less: allowance for expected credit losses (Note 53)	(1)	(22)
	64,475	70,485

23.0. Financial Assets at Amortised Cost

	2022 LBP Million	2021 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	3,478,796	3,935,925
Treasury bills	2,049,587	2,907,580
Eurobonds	260,431	140,615
	5,788,814	6,984,120
Other sovereign		
Treasury bills	707,734	22,138
Eurobonds	125,626	183,597
Other governmental securities	53,584	3,752
	886,944	209,487
Private sector and other securities		
Banks and financial institutions debt instruments	398,394	214,016
Corporate debt instruments	137,088	72,046
	535,482	286,062
	7,211,240	7,479,669
Less: allowance for expected credit losses (Note 53)	(155,784)	(194,760)
	7,055,456	7,284,909

During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. Accordingly, as at 31 December 2022, certificates of deposit amounting to LBP 2,638,000 million (2021: the same) and term borrowings from the Central Bank of Lebanon are reported on a net basis on the statement of financial position. At 31 December 2022, Lebanese Treasury bills of LBP 1,979,141 million were pledged against term borrowings from the Central Bank of Lebanon (2021: the same) (Notes 29 and 31). In addition, as at 31 December 2022, 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 (2021: LBP 439,402 million) (Note 33).

24.0. Financial Assets at Fair Value through Other Comprehensive Income

	2022 LBP Million	2021 LBP Million
Debt instruments		
Other sovereign		
Treasury bills and bonds	868,073	917,198
Private sector and other securities		
Banks and financial institutions debt instruments	31,513	204,108
	899,586	1,121,306
Equity instruments		
Quoted	87,331	176
Unquoted	44,924	43,398
	132,255	43,574
	1,031,841	1,164,880

Equity Instruments at Fair Value through Other Comprehensive Income

The Group classified the following instruments in private sector securities at fair value through other comprehensive income as it holds them for strategic reasons. The tables below list those equity instruments, dividends received, and the changes in fair value net of applicable taxes:

	2022		
	Fair Value LBP Million	Cumulative Changes in Fair Value LBP Million	Dividends LBP Million
Quoted	**87,331**	**11,667**	**-**
Holcim Liban sal	87,155	11,667	-
Other equity instruments	176	-	-
Unquoted:	**44,924**	**(2,574)**	**129**
Banque de l'Habitat sal	15,527	7,491	-
Other equity instruments	29,397	(10,065)	129
	132,255	**9,093**	**129**

	2021		
	Fair Value LBP Million	Cumulative Changes in Fair Value LBP Million	Dividends LBP Million
Quoted	176	-	-
Unquoted:	43,398	(2,652)	443
Banque de l'Habitat sal	15,527	7,491	-
Other equity instruments	27,871	(10,143)	443
	43,574	(2,652)	443

During 2021, the Group sold equity instruments at fair value through comprehensive income with a fair value of LBP 15,075 million. In relation to this, the Group transferred LBP 6,304 million unrealised gains from other comprehensive income to retained earnings.

25.0. Investments in Associates

	Country of Incorporation	Activity	2022 Ownership %	2021 Ownership %	2022 LBP Million	2021 LBP Million
CBS Holding sal	Lebanon	Services	45.54%	45.54%	14,359	14,581
					14,359	14,581

Individually Material Associates

CBS Holding sal

The following table illustrates the summarised financial information of the Group's associate as at 31 December 2022 and 2021. The information disclosed reflects the amounts presented in the financial statements of the associate and the Group's share of those amounts.

	2022 CBS Holding sal LBP Million	2021 CBS Holding sal LBP Million
Current assets	35,870	31,439
Non-current assets	6,296	5,072
Current liabilities	(25,877)	(21,124)
Non-current liabilities	(2,639)	(1,250)
Equity	13,650	14,137
Group's share of equity	6,216	6,438
Goodwill	8,143	8,143
	14,359	14,581
Revenues	42,112	43,888
Expenses	(42,600)	(41,628)
(Loss) Profit for the year	(488)	2,260
	(222)	1,029

GlobalCom Holding sal

During 2021, the Group sold its investment in GlobalCom Holding sal, an associate, to a third party for a total consideration of LBP 28,643 million. The disposal resulted in a loss amounting to LBP 2,272 million.

M1 Financial Technologies Holding sal

As a result of the expiry and non-renewal of the option to buy back 30% of the voting rights in M1 Financial Technologies Holding sal, the Group no longer holds exercisable potential voting rights and accordingly lost significant influence and derecognised the investment in this associate against recognition of a loan to M1 Financial Technologies Holding sal during 2021. Gain resulting from this transaction amounted to LBP 13,807 million and was reflected under other operating income for the year ended 31 December 2021 (Note 10).

26.0. Property and Equipment and Right-of-Use Assets

	Land LBP Million	Buildings and Freehold Improvements LBP Million	Leasehold Improvements LBP Million	Motor Vehicles LBP Million	Office Equipment and Computer Hardware LBP Million	Office Machinery and Furniture LBP Million	Right-of-use LBP Million	Other LBP Million	**Total LBP Million**
Cost or revaluation:									
At 1 January 2022	158,282	390,555	74,044	618	170,485	83,260	53,585	9,388	940,217
Revaluation recognised in OCI	1,928,378	5,149,408	-	-	-	-	-	-	7,077,786
Revaluation adjustments	-	(25,969)	-	-	-	-	-	-	(25,969)
Additions	-	16,853	1,907	-	5,679	1,605	12,137	-	38,181
Transfer	25	5,921	-	-	-	-	-	-	5,946
Disposals	-	(5,687)	(590)	(149)	(2,331)	(917)	(3,422)	-	(13,096)
Foreign exchange difference	-	(1,399)	(3,867)	(6)	(5,573)	(1,227)	(7,448)	(60)	(19,580)
At 31 December 2022	**2,086,685**	**5,529,682**	**71,494**	**463**	**168,260**	**82,721**	**54,852**	**9,328**	**8,003,485**
Depreciation:									
At 1 January 2022	-	28,966	65,689	579	151,735	72,179	24,345	7,513	351,006
Revaluation adjustments	-	(25,969)	-	-	-	-	-	-	(25,969)
Depreciation during the year	-	31,903	1,338	10	8,742	1,354	9,330	-	52,677
Disposals	-	(4,171)	(549)	(149)	(2,207)	(720)	(2,620)	-	(10,416)
Transfer	-	-	-	-	(223)	223	-	-	-
Foreign exchange difference	-	(129)	(2,858)	(4)	(3,735)	(928)	(2,877)	(50)	(10,581)
At 31 December 2022	**-**	**30,600**	**63,620**	**436**	**154,312**	**72,108**	**28,178**	**7,463**	**356,717**
Net book value:									
At 31 December 2022	**2,086,685**	**5,499,082**	**7,874**	**27**	**13,948**	**10,613**	**26,674**	**1,865**	**7,646,768**

	Land LBP Million	Buildings and Freehold Improvements LBP Million	Leasehold Improvements LBP Million	Motor Vehicles LBP Million	Office Equipment and Computer Hardware LBP Million	Office Machinery and Furniture LBP Million	Right-of-use LBP Million	Other LBP Million	Total LBP Million
Cost or revaluation:									
At 1 January 2021	158,282	383,952	110,840	967	182,683	87,097	66,495	9,846	1,000,162
Additions	-	10,843	976	-	5,934	626	12,533	-	30,912
Disposals	-	-	(26,975)	(129)	(2,124)	(383)	(8,583)	-	(38,194)
Foreign exchange difference	-	(4,240)	(10,797)	(220)	(16,008)	(4,080)	(16,860)	(458)	(52,663)
At 31 December 2021	158,282	390,555	74,044	618	170,485	83,260	53,585	9,388	940,217
Depreciation:									
At 1 January 2021	-	11,414	90,516	916	152,794	74,111	26,663	7,820	364,234
Depreciation during the year	-	18,121	5,980	11	13,253	1,767	12,546	-	51,678
Disposals	-	-	(22,875)	(129)	(1,901)	(216)	(7,795)	-	(32,916)
Foreign exchange difference	-	(569)	(7,932)	(219)	(12,411)	(3,483)	(7,069)	(307)	(31,990)
At 31 December 2021	-	28,966	65,689	579	151,735	72,179	24,345	7,513	351,006
Net book value:									
At 31 December 2021	158,282	361,589	8,355	39	18,750	11,081	29,240	1,875	589,211

Land and buildings with a carrying amount of LBP 7,358,401 million as at 31 December 2022 are subject to seizure and restriction on disposal (Note 57).

The Group has lease contracts for various items primarily comprising head offices and branches used in its operations. Leases of head offices and branches generally have lease terms between 1 and 30 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

Revaluation of Land and Buildings

Fair value of the land and buildings and freehold improvements was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the date of revaluation, the properties' fair values are based on valuations carried out by independent valuers accredited by the local regulators in the countries in which the properties are situated. Gain from level 3 revaluation of LBP 7,077,786 million in 2022 was recognised in other comprehensive income (2021: nil).

Significant Unobservable Valuation Input

Description of valuation techniques used and key inputs to valuation of land and buildings:

	Valuation Technique	Significant Unobservable Inputs	Weighted Average(*)	Fair Value LBP Million
Land:				
Lebanon	Market comparable method	Price per sqm	LBP 55 million	2,086,685
Buildings and freehold improvements:				
Lebanon	Market comparable method	Price per sqm	LBP 66 million	5,460,927
Switzerland	Market comparable method	Price per sqm	LBP 27 million	68,755

Lebanon

In accordance with the Central Bank of Lebanon's Intermediary Circular 659 issued on 20 January 2023, banks may revalue their properties in US Dollars and translate the revalued amount to LBP at the "Sayrafa" exchang rate at 31 December. The price above is based on the "Sayrafa" exchange rate of LBP 38,000 to the US Dollar.

Significant increase (decrease) in the estimated price per square meter in isolation would result in significantly higher (lower) fair value on a linear basis.

Switzerland

The above prices are based on the official exchange rate of LBP 1,507.5 to the US Dollar.

If land, buildings, and related improvements were measured using the cost model, the carrying amounts as of 31 December would have been as follows:

	2022	
	Land LBP Million	Buildings and Freehold Improvements LBP Million
Cost	64,666	447,292
Accumulated depreciation	-	(231,211)
Net book value	**64,666**	**216,081**

	2021	
	Land LBP Million	Buildings and Freehold Improvements LBP Million
Cost	64,666	437,198
Accumulated depreciation	-	(221,545)
Net book value	64,666	215,653

27.0. Intangible Assets

	Computer Software LBP Million	Other LBP Million	Total LBP Million
Cost:			
At 1 January 2022	196,460	40	196,500
Additions	19,934	-	19,934
Write offs	(15,071)	-	(15,071)
Foreign exchange difference	(12,086)	(11)	(12,097)
At 31 December 2022	**189,237**	**29**	**189,266**
Amortisation:			
At 1 January 2022	130,584	40	130,624
Amortisation during the year	17,669	-	17,669
Related to write-offs	(13,510)	-	(13,510)
Foreign exchange difference	(6,283)	(11)	(6,294)
At 31 December 2022	**128,460**	**29**	**128,489**
Net book value:			
At 31 December 2022	**60,777**	**-**	**60,777**

	Computer Software LBP Million	Other LBP Million	Total LBP Million
Cost:			
At 1 January 2021	213,700	73	213,773
Additions	16,843	-	16,843
Foreign exchange difference	(34,083)	(33)	(34,116)
At 31 December 2021	196,460	40	196,500
Amortisation:			
At 1 January 2021	132,619	73	132,692
Amortisation during the year	19,819	-	19,819
Foreign exchange difference	(21,854)	(33)	(21,887)
At 31 December 2021	130,584	40	130,624
Net book value:			
At 31 December 2021	65,876	-	65,876

28.0. Assets Obtained In Settlement Of Debt

The Group occasionally takes possession of assets in settlement of loans and advances. The Group is in the process of selling these assets. Gains or losses on disposal are recognised in the consolidated income statement for the year.

	2022			2021		
	Financial Instruments LBP Million	Properties LBP Million	Total LBP Million	Financial Instruments LBP Million	Properties LBP Million	Total LBP Million
Cost:						
At 1 January	1,813	136,234	138,047	-	209,545	209,545
Additions	-	130,917	130,917	1,813	122,546	124,359
Disposals	-	(83,544)	(83,544)	-	(155,900)	(155,900)
Foreign exchange difference	-	(15,635)	(15,635)	-	(39,957)	(39,957)
At 31 December	1,813	167,972	169,785	1,813	136,234	138,047
Impairment:						
At 1 January	-	6,385	6,385	-	6,385	6,385
At 31 December	-	6,385	6,385	-	6,385	6,385
Net book value:						
At 31 December	1,813	161,587	163,400	1,813	129,849	131,662

During 2022, the Group sold assets obtained in settlement of debts resulting to a gain amounting to LBP 14,581 million reflected under other operating income (2021: LBP 15,676 million) (Note 10). The carrying value of assets in settlement of debts include LBP 98,468 million in Lebanon (2021: LBP 98,491 million) based on historical costs at the official exchange rate of LBP 1,507.5 to the US Dollar. These are subject to seizure and restriction on disposal (Note 57).

29.0. Other Assets

	2022 LBP Million	2021 LBP Million
Advances on acquisition of property and equipment	17,369	3,924
Advances on acquisition of intangible assets	96	2,434
Prepaid charges	77,580	35,718
Electronic cards and regularisation accounts	3,845	24,603
Receivables related to non-banking operations	1,341	38,287
Advances to staff	8,212	22,809
Hospitalisation and medical care under collection	401	41,372
Interest and commissions receivable	265	858
Funds management fees	53	70
Fiscal stamps, bullions and commemorative coins	1,024	1,046
Management and advisory fees receivable	279	1,330
Tax regularisation account	10,518	14,757
Other debtor accounts	132,458	162,380
Foreign exchange position	409,017	135,245
Receivables from Central Bank of Lebanon under leverage arrangements	-	1,279,783
	662,458	1,764,616

As at 31 December 2022, other debtors' accounts include an amount of LBP 18,141 million representing collateral under process of being repossessed against settlement of loans by a subsidiary (2021: LBP 25,315 million).

Receivables from the Central Bank of Lebanon under Leverage Arrangements

Receivables from the Central Bank of Lebanon under leverage arrangements amounting to LBP 1,279,783 million as at 31 December 2021 were written off by an adjustment to accumulated losses in equity at 1 January 2022 as disclosed in Note 2.7. These were recorded in prior years against the following transactions:

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

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

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

Foreign Exchange Position

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

Other Debtor Accounts

Other debtor accounts as at 31 December 2021 include an amount of LBP 29,592 million related to a claim from insurance company on the damage of the Beirut Port Explosion, which was written off against an adjustment to retained earnings on 1 January 2022 (refer to Note 2.7.).

30.0. Goodwill

	2022 LBP Million	2021 LBP Million
Cost:		
At 1 January	200,186	199,951
Foreign exchange difference	23	235
At 31 December	200,209	200,186
Impairment:		
At 1 January	157,767	157,767
At 31 December	157,767	157,767
Net book value:		
At 31 December	42,442	42,419

Testing goodwill for impairment involves a significant amount of judgment. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. The allocation is reviewed following business reorganisations. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. The Group performed its annual impairment test in December 2022 and 2021.

As at 31 December, the carrying amount of goodwill was allocated to the following CGUs:

	2022 LBP Million	2021 LBP Million
Private Banking – Switzerland	42,442	42,419

This CGUs does not carry on its statement of financial position any intangible assets with indefinite lives, other than goodwill.

Recoverable Amount

The Private Banking CGU in Switzerland is a separate legal entity offering Private Banking activities to its customers and is reported mainly under the Retail and Personal Banking business segment and the Europe geographical segment. The recoverable amount of this CGU was determined based on a value in use calculation using cash flow projections from financial budgets approved by Senior Management covering a five-year period, with a terminal growth rate of 2.00% (2021: 2.00%). The forecast cash flows were discounted at a pre-tax rate of 10.00% (2021: 10.00%). Based on these assumptions, the recoverable amount exceeds the carrying amount including goodwill by LBP 51,658 million (2021: LBP 53,992 million).

Key Assumptions Used in Value in Use Calculations and Sensitivity to Changes in Assumptions

The calculation of value in use for the Private Banking – Switzerland CGU is most sensitive to interest rate margins, cost of equity and the projected growth rates used to extrapolate cash flows beyond the budget period.

The cost of equity assigned to an individual CGU and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk rate in the country concerned, and a premium to reflect the inherent risk of the business being evaluated. Projected terminal growth rates used are in line with, and do not exceed, the projected growth rates in GDP and inflation rate forecasts for the jurisdictional area where the operations reside.

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the units to exceed their recoverable amount. These are summarised in the table below which shows the details of the sensitivity of the above measures on the Group's CGU's value in use (VIU):

	Private Banking – Switzerland	
Interest margins	Interest margins are based on current fixed interest yields.	A decrease of 0.10% causes a decrease in the value in use by 0.26% (LBP 1,033 million) (2021: 0.42% (LBP 1,630 million)).
Cost of equity	The cost of equity is the return required for an investment to meet capital return requirements; it is often used as a capital budgeting threshold for required rate of return.	A decrease of 0.25% causes an increase in the value in use by 2.01% (LBP 8,067 million) (2021: 1.72% (LBP 6,725 million)).
Growth rate	Growth rate is the percentage change of the compounded annualised rate of growth of revenues, earnings, dividends and even including macro concepts such as GDP and the economy as a whole.	A decrease of 0.5% causes a decrease in the value in use by 2.71% (LBP 10,877 million) (2021: 2.25% (LBP 8,802 million)).

The following table presents the sensitivity of each input by showing the change required to individual current assumptions to reduce headroom to nil (breakeven) for the Private Banking CGU in Switzerland:

	2022	2021
Interest margin	(5.33%)	(4.85%)
Cost of equity	11.15%	12.75%
Growth rate	(1.24%)	(2.52%)

31.0. Due to Central Banks

	2022 LBP Million	2021 LBP Million
Central Bank of Lebanon		
Subsidised loans	472,674	586,913
Term borrowings under leverage arrangements	1,979,141	1,979,141
Other borrowings	-	721,112
Accrued interest	9,342	13,148
Other central banks		
Other borrowings	141	34,129
Repurchase agreements	272,669	210,020
	2,733,967	3,544,463

Subsidised Loans

As at 31 December 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 (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 2027 and 2028, fully invested in Lebanese Treasury bills, certificates of deposit with the Central Bank of Lebanon in LBP, and blocked term placements with the Central Bank of Lebanon in LBP earning coupon rates ranging between 6.5% per annum and 10.5%. Simultaneously, the Bank has either deposited term placements with the Central Bank of Lebanon in foreign currencies at 6.5% per annum and in LBP at 10.5% per annum (originated from the sale of foreign currencies to the Central Bank of Lebanon) carrying the same maturities; or purchased Lebanese government Eurobonds from the Central Bank of Lebanon. During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement covering only leverage arrangements that were invested in blocked term placement and pledged certificates of deposit with the Central Bank of Lebanon in LBP. This agreement qualifies for netting under the requirements of IAS 32.

During 2021, in order to reduce the local foreign currency mismatch and increase liquidity in Lebanese Pounds banknotes, the Group settled blocked term placements with the Central Bank of Lebanon amounting to LBP 2,187,865 million with maturities ranging between 2024 and 2028, earning coupon rates between 8.8% and 10.5% and simultaneously deposited term placements with the Central Bank of Lebanon of the same amount with similar maturities and earning coupon rates between 4.5% and 10.5%.

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

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

	2022 LBP Million	2021 LBP Million
Leverage arrangements		
Gross amounts	10,060,141	10,790,245
Amounts offset against[(1)]		
Placement with the Central Bank of Lebanon (Note 16)	5,443,000	6,173,104
Certificates of deposit with the Central Bank of Lebanon (Note 23)	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 23)	1,979,141	1,979,141
	1,979,141	1,979,141

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

As at 31 December 2022, financial assets and financial liabilities that were settled on a net basis amounted to LBP 3,811,889 million (2021: LBP 3,081,785 million) (Note 16).

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:

	2022 LBP Million	2021 LBP Million
Financial assets at amortised cost – Non-Lebanese governmental bonds	85,734	19,225
Financial assets at fair value through comprehensive income – Non-Lebanese governmental bonds	231,450	206,061

32.0. Due to Banks and Financial Institutions and Repurchase Agreements

	2022 LBP Million	2021 LBP Million
Current accounts	208,136	169,811
Term loans	216,919	379,186
Time deposits	157,294	23,924
Accrued interest	1,136	2,078
	583,485	574,999
Repurchase agreements	49,799	38,610
	633,284	613,609

Included in term loans above an amount of LBP 208,878 million (2021: LBP 379,186 million) representing loans granted from various supranational entities for the purpose of financing small and medium-size enterprises in the private sector, with annual interest rates ranging from 2.25% to 4.40% (2021: 0.84% to 5.35%).

During 2021, in light of the social, economic and banking sector conditions in Lebanon and the impending government reform program, certain lenders have agreed on a voluntary basis and at the request of the Bank, to amend certain terms of their loan agreements, amongst others, the repayment schedule and the maturity date. Remaining balance of these loans amounted to LBP 156,061 million as at 31 December 2022 (2021: LBP 148,249 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:

	2022 LBP Million	2021 LBP Million
Financial assets at amortised cost – Non-Lebanese governmental bonds	-	52,847
Financial assets at fair value through comprehensive income – Non-Lebanese governmental bonds	53,316	1,545

33.0. Customers' Deposits

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

	2021			
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Public Sector LBP Million	Total LBP Million
Sight deposits	2,667,813	12,814,541	67,568	15,549,922
Time deposits	1,619,262	11,403,216	178,994	13,201,472
Saving accounts	48,830	838,873	-	887,703
Margins on LCs and LGs	74,880	10,271	85	85,236
Other margins	585	-	-	585
Other deposits	6,104	54,286	256	60,646
Banker's draft	-	370,829	-	370,829
	4,417,474	25,492,016	246,903	30,156,393
Deposits pledged as collateral				3,117,897

Sight deposits include balances of bullion amounting to LBP 145,711 million (2021: LBP 172,812 million) which were carried at fair value through profit or loss.

Time deposits include balances amounting to LBP 16,506 million as at 31 December 2022 (2021: LBP 101,683 million), whereby the principal is settled at maturity according to the full discretion of the Group either in cash or in Lebanese government Eurobonds. As at 31 December 2022, in agreement with such depositors, the Bank settled deposits amounting to LBP 452,617 million in certificates of deposits with the Central Bank of Lebanon denominated in US Dollars and having the same nominal amount (2021: LBP 439,402 million) (Note 23).

Bankers' drafts as at 31 December 2022 and 2021 consist of checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other Lebanese banks.

34.0. Deposits from Related Parties

	2022		
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Total LBP Million
Sight deposits	14,747	27,759	42,506
Time deposits	7,200	64,485	71,685
Other deposits and margin accounts	1,807	352	2,159
	23,754	92,596	116,350
Deposits pledged as collateral			57,925

	2021		
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Total LBP Million
Sight deposits	9,453	34,778	44,231
Time deposits	7,350	91,757	99,107
Other deposits and margin accounts	1,713	443	2,156
	18,516	126,978	145,494
Deposits pledged as collateral			61,126

35.0. Debt Issued and other Borrowed Funds

	2022 LBP Million	2021 LBP Million
USD 116,560,000 due 19 April 2027 – 5.00%	160,257	-
USD 346,730,000 due 16 October 2023 – 6.75%	-	522,695
USD 112,500,000 due 11 April 2024 – 6.55% + Libor 6m	169,594	169,594
USD 37,500,000 due 11 April 2024 – 6.55% + Libor 6m	56,531	56,531
USD 276,000,000 due 1 August 2027 – 7.625%	415,028	414,747
Accrued interests	22,033	68,704
	823,443	1,232,271

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

USD 346,730,000 Due 16 October 2023 – 6.75%

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

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

On 21 October 2021, the Bank announced an invitation to holders of subordinated notes to exchange all of their existing notes for (i) an equivalent principal amount of new notes; and (ii) a cash amount (as defined below) upon the terms and subject to the conditions set forth in the exchange offer memorandum. Existing holders who do not submit an exchange 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:

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

Notes issued on 19 April 2022 in exchange of previous notes issued in September 2013. The terms and conditions for the notes are as follows:

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

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

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

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

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

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

The Group determined that the matters disclosed in Note 1 will have an impact on the retained earnings and reserves leading to a need for recapitalisation, the amount of which has not been determined yet due to the high level of uncertainty of resulting from these matters. This matter is under objection by the lender. However, the Group believes it is in a strong position. As at 31 December 2022, deferred interest payable amounted to LBP 51,382 million and was recorded under "Other liabilities" (2021: LBP 34,300 million) (Note 36).

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 2022 (2021: the same).

36.0. Other Liabilities

	2022 LBP Million	2021 LBP Million
Lease liabilities	25,697	28,488
Accrued expenses	68,732	55,756
Miscellaneous suppliers and other payables	20,261	15,412
Operational taxes	54,434	84,110
Employee accrued benefits	2,960	3,326
Electronic cards and regularisation accounts	37,517	32,029
Social security dues	9,372	5,078
Deferred interest payable (Note 35)	51,382	34,300
Other credit balances	135,466	100,283
	405,821	358,782

Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 December:

	2022 LBP Million	2021 LBP Million
Balance at 1 January	**28,488**	42,416
Additions	11,689	24,147
Termination	(413)	(9,010)
Interest expense	2,853	4,582
Paid during the year	(12,102)	(21,486)
Foreign exchange	(4,818)	(12,161)
Balance at 31 December	25,697	28,488

Since 2020 and due to the events occurring in Lebanon as described in Note 1, the Group has closed several branches and cancelled the related lease agreements. This has led to the write-off of right-of-use assets and derecognition of lease liabilities.

37.0. Provisions for Risks and Charges

	2022 LBP Million	2021 LBP Million
Provisions for risks and charges (a)	279,340	115,526
Provisions for ECL on financial guarantees and commitments (Note 53)	26,886	11,421
End-of-service benefits (b)	224,672	156,610
	530,898	283,557

a- Provisions for risks and charges

	2022 LBP Million	2021 LBP Million
Provision for legal claims	12,872	11,638
Other provisions	266,468	103,888
	279,340	115,526

	2022 LBP Million	2021 LBP Million
Balance at 1 January	**115,526**	46,618
Add:		
Charge reflected under operating expenses (Note 13)	168,272	30,144
Charge reflected under other expenses	12,293	9,074
Transfer from current tax liability	-	7,154
Other transfers	1,307	52,332
Less:		
Paid during the year	(6,018)	(7,197)
Net provisions recoveries (Note 10)	(591)	(4,631)
Foreign exchange difference	(11,449)	(17,968)
Balance at 31 December	**279,340**	115,526

b- End-of-service Benefits

Entities operating in Lebanon have two defined benefit plans covering all their employees. The first requires contributions to be made to the National Social Security Fund whereby the entitlement to and level of these benefits depend on the employees' length of service, as well as on the employees' salaries and contributions paid to the fund among other requirements. Under the second plan, no contributions are required to be made, however a fixed end-of-service lump sum amount should be paid for long service employees. The entitlement to and level of these end-of-service benefits provided depend on the employees' length of service, salaries and other requirements outlined in the Workers' Collective Agreement. The first plan described above also applies to non-banking entities operating in Lebanon. Defined benefit plans for employees at foreign subsidiaries and branches are set in line with the laws and regulations of the respective countries in which these subsidiaries are located. The movement of provision for staff retirement benefit obligations is as follows:

	2022		
	Lebanon LBP Million	Foreign Countries LBP Million	**Total LBP Million**
Balance at 1 January	**130,343**	**26,267**	156,610
Charge for the year (Note 12)	12,608	4,678	17,286
Paid during the year	(1,979)	(2,157)	(4,136)
Actuarial gain on obligation – experience	66,495	3,105	(69,600)
Actuarial loss on obligation – economic assumptions	-	(11,939)	(11,939)
Actuarial loss on obligation – demographic assumptions	-	(160)	(160)
Provision no more required (Note 10)	(175)	(548)	(723)
Foreign exchange difference	-	(1,866)	(1,866)
Balance at 31 December	**207,292**	**17,380**	224,672

	2021		
	Lebanon LBP Million	Foreign Countries LBP Million	Total LBP Million
Balance at 1 January	50,458	29,670	80,128
Charge for the year (Note 12)	5,643	4,553	10,196
Paid during the year	(6,237)	(3,666)	(9,903)
Actuarial gain on obligation – experience	(5,784)	(8,329)	(14,113)
Actuarial loss on obligation – economic assumptions	86,263	4,015	90,278
Actuarial loss on obligation – demographic assumptions	-	1,863	1,863
Foreign exchange difference	-	(1,839)	(1,839)
Balance at 31 December	130,343	26,267	156,610

The charge for the year is broken down as follows:

	2022 LBP Million	2021 LBP Million
Current service cost	8,215	6,736
Interest on obligation	9,071	3,460
	17,286	10,196

The key assumptions used in the calculation of retirement benefit obligation are as follows:

	Lebanon		Switzerland	
	2022	2021	**2022**	2021
Economic assumptions				
Discount rate (p.a.)	6.50%	6.50%	2.10%	0.35%
Inflation rate (p.a.)	None	None	1.25%	1.00%
Salary increase (p.a.)				
Coming years:				
Employees	Financial support compensation	150.00%	1.50%	1.25%
Senior Managers	Financial support compensation	150.00%	1.50%	1.25%
Thereafter:				
Employees	4.00%	4.00%	1.50%	1.25%
Senior Managers	4.00%	4.00%	1.50%	1.25%
Expected annual rate of return on NSSF contributions	3.00%	3.00%	None	None
Expected future pension increases	None	None	1.50%	1.25%
Interest crediting rate	None	None	None	None
Treatment of bonus	None	None	None	None
Demographic assumptions				
Retirement age	Earliest of age 64 or completion of 20 contribution years	Earliest of age 64 or completion of 20 contribution years	Age 65 for men and 64 for women	Age 65 for men and 64 for women
Pre-termination mortality	None	None	BVG 2020 + 1.5%	BVG 2020 + 1.5%
Pre-termination turnover rates (age related with average of)	3.50% – 7.50%	3.50% – 7.50%	4.20% – 25.20%	4.20% – 25.20%

A quantitative sensitivity analysis for significant assumptions is shown as below:

	Discount Rate		Future Salary Increase		Cost of Living Adjustment(*)	
	% Increase LBP Million	% Decrease LBP Million	% Increase LBP Million	% Decrease LBP Million	50% Increase LBP Million	100% Increase LBP Million
Impact on net defined benefit obligation – 2022	**(5,722)**	**6,418**	**4,291**	**(4,716)**	**201,751**	**306,919**
Impact on net defined benefit obligation – 2021	(2,520)	2,528	414	(413)	73,519	147,038

(*) For Lebanon only.

Except for the cost of living adjustments, the sensitivity analysis above was determined based on a method that extrapolates the impact on the defined benefit obligation as a result of 25 basis point changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

38.0. Share Capital and Issue Premium

Share Capital

The share capital of Bank Audi sal as at 31 December is as follows:

	2022			2021		
	Number of Shares	Share Capital LBP Million	Issue Premium LBP Million	Number of Shares	Share Capital LBP Million	Issue Premium LBP Million
Common shares	588,538,215	982,859	902,290	588,538,215	982,859	902,290
Preferred shares series "H"	750,000	1,252	111,811	750,000	1,252	111,811
Preferred shares series "I"	2,500,000	4,175	372,700	2,500,000	4,175	372,700
Preferred shares series "J"	2,750,000	4,593	409,969	2,750,000	4,593	409,969
	6,000,000	10,020	894,480	6,000,000	10,020	894,480
	594,538,215	992,879	1,796,770	594,538,215	992,879	1,796,770

Listing of Shares

	2022		2021	
	Stock Exchange	Number of Shares	Stock Exchange	Number of Shares
Ordinary shares	Beirut	468,898,454	Beirut	468,898,454
Global depository receipts	Beirut	119,639,761	Beirut	119,639,761
Preferred shares	Beirut	6,000,000	Beirut	6,000,000
		594,538,215		594,538,215

The Board of Directors has approved the delisting of the global depository receipts from the London SEAQ on 29 July 2020. The delisting became effective on 6 November 2020.

Preferred Shares

1. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 15 April 2013, the Bank issued series "H" preferred shares under the following terms:

Preferred shares series "H"

- Number of shares:	750,000.
- Share's issue price:	USD 100.
- Share's nominal value:	LBP 1,299 (later became LBP 1,670 upon increasing the nominal value).
- Issue premium:	Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits:	Annual non-cumulative dividends of USD 4.5 per share for the year 2013, and USD 6.5 for each subsequent year.
- Repurchase right:	The Bank has the right to repurchase the shares in 7 years after issuance, as well as to call them off by that date.

The Extraordinary General Assembly of shareholders held on 21 June 2013 validated and ratified the capital increases according to the aforementioned terms for preferred shares series "H".

2. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 29 November 2016, the Bank issued preferred shares series "I" under the following terms:

Preferred shares series"I"

- Number of shares:	2,500,000.
- Share's issue price:	USD 100.
- Share's nominal value:	LBP 1,656 (later became LBP 1,670 upon increasing the nominal value).
- Issue premium:	Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits:	Annual non-cumulative dividends of USD 3 per share for the year 2016, and USD 7 for each subsequent year.
- Repurchase right:	The Bank has the right to repurchase the shares in 5 years after issuance, as well as to call them off by that date.
- Conversion:	Mandatorily convertible into 15 common shares in case: 1) common equity Tier 1 to risk-weighted assets falls below 66.25% of minimum required by the Central Bank of Lebanon; or 2) the Bank is deemed non-viable by the Central Bank of Lebanon without such a conversion.

The Extraordinary General Assembly of shareholders held on 21 December 2016 validated and ratified the capital increase according to the aforementioned terms.

3. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 21 July 2017, the Bank issued preferred shares series "J" under the following terms:

Preferred shares series "J"

- Number of shares:	2,750,000.
- Share's issue price:	USD 100.
- Share's nominal value:	LBP 1,663 (later become LBP 1,670 upon increasing the nominal value).
- Issue premium:	Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits:	Annual non-cumulative dividends of USD 4 per share for the year 2017, and USD 7 for each subsequent year.
- Repurchase right:	The Bank has the right to repurchase the shares in 5 years after issuance, as well as to call them off by that date
- Conversion:	Mandatorily convertible into 15 common shares in case: 1) common equity Tier 1 to risk-weighted assets falls below 66.25% of minimum required by the Central Bank of Lebanon; or 2) the Bank is deemed non-viable by the Central Bank of Lebanon without such a conversion.

The Extraordinary General Assembly of shareholders held on 27 October 2017 validated and ratified the capital increase according to the aforementioned terms.

Paid Dividends

In accordance with Central Bank of Lebanon Intermediate Circular 567 and 616, no dividends were distributed from 2020 and 2021 profits.

39.0. Cash Contribution to Capital

In previous years, agreements were entered between the Bank and its shareholders whereby the shareholders granted cash contributions to the Bank amounting to USD 48,150,000 (equivalent to LBP 72,586 million) subject to the following conditions:

- These contributions will remain as long as the Bank performs banking activities.
- If the Bank incurs losses and has to reconstitute its capital, these contributions may be used to cover the losses if needed.
- The shareholders have the right to use these contributions to settle their share in any increase of capital.
- No interest is due on the above contributions.
- The above cash contributions are considered as part of Tier 1 capital for the purpose of determining the Bank's capital adequacy ratio.
- The right to these cash contributions is for the present and future shareholders of the Bank.

40.0. Non-Distributable Reserves

	Legal Reserve LBP Million	Reserves Appropriated for Capital Increase LBP Million	Gain on Sale of Treasury Shares LBP Million	Reserve for General Banking Risks LBP Million	Unrealised Gain on Fair Value through Profit or Loss LBP Million	Reserve for Foreclosed Assets LBP Million	Other Reserves LBP Million	**Total LBP Million**
Balance at 1 January 2022	**618,975**	**39,955**	**6,640**	**18,327**	**14,835**	**11,406**	**1,159,579**	**1,869,717**
Appropriation of 2021 profits	14,861	-	-	-	-	-	-	14,861
Transfers between reserves	-	-	-	-	-	-	644,677	644,677
Balance at 31 December 2022	**633,836**	**39,955**	**6,640**	**18,327**	**14,835**	**11,406**	**1,804,256**	**2,529,255**

	Legal Reserve LBP Million	Reserves Appropriated for Capital Increase LBP Million	Gain on Sale of Treasury Shares LBP Million	Reserve for General Banking Risks LBP Million	Unrealised Gain on Fair Value through Profit or Loss LBP Million	Reserve for Foreclosed Assets LBP Million	Other Reserves LBP Million	Total LBP Million
Balance at 1 January 2021	709,916	120,655	6,640	135,222	14,835	38,945	1,183,448	2,209,661
Appropriation of 2020 profits	9,247	145	-	-	-	-	-	9,392
Entities deconsolidated	(100,188)	(108,824)	-	(116,895)	-	(244)	-	(326,151)
Transfers between reserves	-	27,979	-	-	-	(27,295)	(23,869)	(23,185)
Balance at 31 December 2021	618,975	39,955	6,640	18,327	14,835	11,406	1,159,579	1,869,717

Legal Reserve

The Lebanese Commercial Law and the Bank's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. In addition, subsidiaries and branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve is not available for dividend distribution.

The Group transferred to legal reserve an amount of LBP 14,861 million (2021: LBP 9,247 million) as required by the laws applicable in the countries in which they operate.

Reserves Appropriated for Capital Increase

During 2021, the Group transferred LBP 145 million to reserves appropriated for capital increase. This amount represents the net gain on the disposal of fixed assets acquired in settlement of debt, in addition to reserves on recovered provisions for doubtful loans and debts previously written off, whenever recoveries exceed booked allowances.

Gain on Sale of Treasury Shares

These gains arise from the Global Depository Receipts (GDRs) owned by the Group. Based on the applicable regulations, the Group does not have the right to distribute these gains.

Other Reserves

According to the Central Bank of Lebanon's Main Circular 143, banks in Lebanon are required to transfer to other reserves the balance of reserves for general banking risks and general reserves for loans and advances (totalling LBP 889,720 million) previously appropriated in line with the requirements of Decision 7129 and Decision 7776 respectively. In accordance with the resolution of the Bank's General Assembly held on 30 June 2022 and the Central Bank of Lebanon's letter dated 27 January 2022, an amount of LBP 479,263 million was transferred from distributable reserves (for the gain from sale of subsidiaries) and an amount of LBP 165,414 was transferred from retained earnings (for dividends distributed by foreign subsidiaries). This reserve is part of the Group's equity and is not available for distribution.

Reserve for Unrealised Revaluation Gains on Financial Assets at Fair Value through Profit or Loss

As per the Banking Control Commission's Circular 296 dated 4 June 2018, banks operating in Lebanon are required to appropriate in a special reserve from their annual net profits the value of gross unrealised profits on financial assets at fair value through profit or loss. This reserve is not available for dividend distribution until such profits are realised and released to general reserves.

Reserve for Foreclosed Assets

The reserve for foreclosed assets represents appropriation against assets acquired in settlement of debt in accordance with the circulars of the Lebanese Banking Control Commission. Appropriations against assets acquired in settlement of debt shall be transferred to unrestricted reserves upon the disposal of the related assets.

41.0. Distributable Reserves

	General Reserves LBP Million	Cost of Capital Issued LBP Million	**Total LBP Million**
Balance at 1 January 2022	**507,629**	**(11,096)**	**496,533**
Transfer between reserves	(464,176)	3,638	(460,538)
Balance at 31 December 2022	**43,453**	**(7,458)**	**35,995**

	General Reserves LBP Million	Cost of Capital Issued LBP Million	Total LBP Million
Balance at 1 January 2021	28,366	(11,096)	17,270
Transfer between reserves	479,263	-	479,263
Balance at 31 December 2021	507,629	(11,096)	496,533

42.0. Proposed Dividends

In accordance with Central Bank of Lebanon Intermediate Circular 567 and 616, the Board of Directors does not propose the payment of dividends for 2022 and 2021.

43.0. Treasury Shares

	2022		2021	
	Number of Shares	Cost LBP Million	Number of Shares	Cost LBP Million
Balance at 1 January	**1,172,382**	**9,190**	1,172,382	9,190
Acquisition of Treasury Shares	160,000	347	-	-
Balance at 31 December	**1,332,382**	**9,537**	1,172,382	9,190

44.0. Other Components of Equity

	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 gain from continuing operations	6,709,429	53,679	(105,133)	(67,371)	(1,460)	6,589,144
Transfer between reserves	199	-	-	-	-	199
Balance at 31 December 2022	**6,971,629**	**48,095**	**(1,464,160)**	**(144,004)**	**(3,504)**	**5,408,056**

	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	-	(19,845)	(280,373)	(64,182)	17,900	(346,500)
Entities deconsolidated	(75,568)	31	-	-	-	(75,537)
Sale of FVTOCI	-	(6,304)	-	-	-	(6,304)
Transfer between reserves	510	-	-	-	-	510
Balance at 31 December 2021	262,001	(5,584)	(1,359,027)	(76,633)	(2,044)	(1,181,287)

Real Estate Revaluation Reserve

Effective 31 December 2014, the Group made a voluntary change in its accounting policy for subsequent measurement of two classes of property and equipment being i) Land and ii) Building and Building Improvements from cost to revaluation model.

Cumulative Changes in Fair Value

The cumulative changes as at 31 December represent the fair value differences from the revaluation of financial assets measured at fair value through other comprehensive income. The movement during the year can be summarised as follows:

	Change in Fair Value LBP Million	Deferred Tax LBP Million	**Net LBP Million**
Balance at 1 January 2022	**(10,524)**	**4,940**	**(5,584)**
Other comprehensive income from continuing operations	76,033	(22,354)	53,679
Adjustments	(11,278)	11,278	-
Balance at 31 December 2022	**54,231**	**(6,136)**	**48,095**

Balance at 1 January 2021	23,197	(2,663)	20,534
Other comprehensive income from continuing operations	(24,398)	4,553	(19,845)
Entities deconsolidated	31	-	31
Sale of financial assets at FVOCI	(6,304)	-	(6,304)
Adjustments	(3,050)	3,050	-
Balance at 31 December 2021	(10,524)	4,940	(5,584)

45.0. 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 have been 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.

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.

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

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

	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 trading income	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 (loss) on sale for the year from discontinued operations	58,513	(3,202)	55,311
Profit for the period from discontinued operations	81,984	(2,359)	79,625

	2021		
	Bank Audi sae LBP Million	Jordan and Iraq Operations LBP Million	Total LBP Million
Profit for the period	81,984	(2,359)	79,625
Other comprehensive income (loss) that will be reclassified to the income statement in subsequent periods			
Foreign currency translation			
Exchange differences on translation of foreign operations	1,529	-	1,529
Net foreign currency translation	1,529	-	1,529
Debt instruments at fair value through other comprehensive income			
Change in fair value during the period	(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

46.0. Group Subsidiaries

A. List of Significant Subsidiaries

The following table shows information related to the significant subsidiaries of the Bank.

	Percentage of Ownership		Country of Incorporation	Principal Activity	Functional Currency
	2022	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

B. Significant Restrictions

Except as disclosed in note 17, the Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group, and comply with other ratios.

C. Non-controlling Interests

Odea Bank A.Ş is the only subsidiary of the Group that has a material non-controlling interest with 23.58% equity interests held by non-controlling interests as at 31 December 2022 (2021: the same).

Material Partially-owned Subsidiaries

	Odea Bank A.Ş.	
	2022 %	2021 %
Proportion of equity interests held by non-controlling interests	23.58%	23.58%

Financial information relating to Odea Bank A.Ş. is provided below:

Summarised Statement of Profit or Loss

	Odea Bank A.Ş.	
	2022 LBP Million	2021 LBP Million
Net interest income	264,391	172,077
Net fee and commission income	22,202	21,652
Net trading income	(5)	7,686
Net gain on sale of financial assets at amortised cost	238	-
Other operating income	22,559	15,695
Total operating income	**309,385**	**217,110**
Net credit losses	(37,870)	(13,076)
Total operating expenses	(169,329)	(162,796)
Profit before tax	**102,186**	**41,238**
Income tax	(22,725)	(5,686)
Profit for the year	**79,461**	**35,552**
Attributable to non-controlling interests	18,737	8,383
Dividends paid to non-controlling interests	-	-

Summarised Statement of Financial Position

	Odea Bank A.Ş.	
	2022 LBP Million	2021 LBP Million
ASSETS		
Cash and balances with central banks	649,503	1,054,873
Due from banks and financial institutions	635,917	452,892
Loans to banks and financial institutions and reverse repurchase agreements	216,397	127,449
Due from related financial institutions	35,851	-
Derivative financial instruments	98,285	413,778
Financial assets at fair value through profit or loss	2,901	11,371
Loans and advances to customers at amortised cost	2,262,013	2,687,806
Debtors by acceptances	-	556
Financial assets at amortised cost	566,177	148,501
Financial assets at fair value through other comprehensive income	882,457	1,121,894
Property and equipment	24,356	20,315
Intangible assets	19,602	16,441
Assets obtained in settlement of debt	64,932	33,171
Other assets	95,951	106,910
TOTAL ASSETS	**5,554,342**	**6,195,957**
LIABILITIES		
Due to central banks	272,669	244,045
Due to banks and financial institutions	101,499	227,552
Due to banks under repurchase agreement	49,799	38,610
Due to related financial institutions	55,843	154,289
Derivative financial instruments	72,850	304,934
Customers' deposits	3,985,423	4,262,572
Debt issued and other borrowed funds	430,208	428,433
Engagements by acceptances	-	556
Other liabilities	80,888	98,171
Provisions for risks and charges	98,812	38,193
TOTAL LIABILITIES	**5,147,991**	**5,797,355**
TOTAL SHAREHOLDERS' EQUITY	**406,351**	**398,602**
Of which: non-controlling interests	*95,818*	*93,990*
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,554,342**	**6,195,957**

Summarised Cash Flow Information

	2022 LBP Million	2021 LBP Million
Operating activities	257,296	109,806
Investing activities	(100,106)	(31,222)
Financing activities	(3,993)	(87,835)
	153,197	(9,251)

47.0. Cash and Cash Equivalents

	2022 LBP Million	2021 LBP Million
Cash and balances with central banks	5,998,811	6,402,643
Due from banks and financial institutions	2,661,777	2,639,672
Loans to banks and financial institutions and reverse repurchase agreements	24,265	42,907
Due to central banks	(272,810)	(244,202)
Due to banks and financial institutions	(366,911)	(195,926)
Due to banks under repurchase agreement	(49,799)	(38,610)
	7,995,333	8,606,484

Cash and balances with central banks include amounts of LBP 3,421,449 million at 31 December 2022 (2021: LBP 2,263,872 million) representing mandatory reserve deposits and balances.

Cash and cash equivalents include balances that are subject to de-facto capital controls and restricted transfers outside Lebanon. Accordingly, these balances are not considered readily convertible to known amounts of cash in the denomination currency without a risk of changes in value. However, the Group maintains their classification as cash and cash equivalents as they are freely transferrable within the Lebanese territory. These balances were as follows as at 31 December 2022 and 31 December 2021:

	2022 LBP Million	2021 LBP Million
Cash and balances with central banks	3,589,840	1,381,982
Due from banks and financial institutions	22,807	19,445
	3,612,647	1,401,427

48.0. Fair Value of Financial Instruments

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

Quoted Market Prices – Level 1

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

Valuation Technique Using Observable Inputs – Level 2

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

Valuation Technique Using Significant Unobservable Inputs – Level 3

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

Effects of Exchange Rates on the Fair Value Measurement

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 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.

48.1. Fair Value of Financial Instruments Carried at Fair Value

Fair Value Measurement Hierarchy of the Financial Assets and Liabilities Carried at Fair Value

	2022			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL ASSETS				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	1,136	6,762	-	7,898
Forward precious metals contracts	3	-	-	3
Currency swaps	1,971	23,770	-	25,741
Precious metals swaps	56	-	-	56
Currency options	6,827	11,966	-	18,793
Interest rate swaps	-	60,156	-	60,156
Equity options	6,496	-	-	6,496
	16,489	102,654	-	119,143
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of Lebanon				
Eurobonds	16,168	-	-	16,168
Other sovereign				
Treasury bills and bonds	967	-	-	967
Private sector and other securities				
Banks and financial institutions	199,805	-	-	199,805
Mutual funds	-	3,169	34,550	37,719
Equity instruments	52	2,034	-	2,086
	216,992	5,203	34,550	256,745
Financial assets at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills and bonds	868,073	-	-	868,073
Private sector and other securities				
Banks and financial institutions	31,513	-	-	31,513
Equity instruments				
Quoted	87,331	-	-	87,331
Unquoted	-	266	44,658	44,924
	986,917	266	44,658	1,031,841
	1,220,398	108,123	79,208	1,407,729

	2022			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	994	4,951	-	5,945
Forward precious metals contracts	18	-	-	18
Currency swaps	4,274	11,820	-	16,094
Precious metals swaps	1,163	-	-	1,163
Currency options	6,827	4,145	-	10,972
Interest rate swaps	-	13,038	-	13,038
Equity options	6,496	-	-	6,496
Derivatives held as cash flow hedge				
Interest rate swaps	-	834	-	834
	19,772	34,788	-	54,560
Customers' deposits – sight	145,711	-	-	145,711
	165,483	34,788	-	200,271

	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 cashflow 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				
Eurobonds	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 at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills and bonds	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	43,398
	1,121,482	266	43,132	1,164,880
	1,255,702	274,660	82,623	1,612,985

	2021			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	412	31,345	-	31,757
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.

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:

	2022		2021	
	Financial Instruments at Fair Value through Profit or Loss LBP Million	Financial Instruments at Fair Value through Other Comprehensive Income LBP Million	Financial Instruments at Fair Value through Profit or Loss LBP Million	Financial Instruments at Fair Value through Other Comprehensive Income LBP Million
FINANCIAL ASSETS				
Balance at 1 January	39,491	43,132	46,105	65,272
Re-measurement recognised in other comprehensive income	-	1,265	-	(7,518)
Re-measurement recognised in income statement	(264)	-		
Purchases	-	769	-	311
Sales	(4,677)	-	(6,614)	(13,879)
Foreign exchange difference	-	(508)	-	(1,054)
Balance at 31 December	**34,550**	**44,658**	39,491	43,132

48.2. Fair Value of Financial Instruments Not Held at Fair Value

Comparison of Carrying and Fair Values for Financial Assets and Liabilities not Held at Fair Value

The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Group's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

Financial Assets and Liabilities Concentrated in Lebanon

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

Fair Value Measurement Hierarchy of the Financial Assets and Liabilities for which Fair Value is Disclosed

Financial Assets and Liabilities Not Concentrated in Lebanon

	Carrying Value	Fair Value			
31 December 2022	LBP Million	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL ASSETS					
Cash and balances with central banks	1,337,862	165,606	1,172,212	-	1,337,818
Due from banks and financial institutions	2,993,765	-	2,992,575		2,992,575
Loans to banks and financial institutions and reverse repurchase agreements	216,397	-	223,126	-	223,126
Net loans & advances to customers	3,640,232	-	-	3,653,572	3,653,572
Corporate and SME	*2,675,616*	-	-	*2,688,956*	2,688,956
Retail and Personal Banking	*955,372*	-	-	*955,372*	955,372
Public sector	*9,244*	-	-	*9,244*	9,244
Net loans & advances to related parties	56,489	-	-	56,523	56,523
Corporate and SME	*526*	-	-	*560*	560
Retail and Personal Banking	*55,963*	-	-	*55,963*	55,963
Financial assets classified at amortised cost	1,419,506	1,420,938	22,728	-	1,443,666
Other sovereign	*884,358*	*879,338*	*22,728*	-	902,066
Private sector and other securities	*535,148*	*541,600*	-	-	541,600
	9,664,251	**1,586,544**	**4,410,641**	**3,710,095**	**9,707,280**
FINANCIAL LIABILITIES					
Due to central banks	272,810	-	272,810	-	272,810
Due to banks and financial institutions	360,874	-	360,874	-	360,874
Due to banks under repurchase agreements	49,799	-	49,799	-	49,799
Customers' deposits	7,605,000	-	7,624,795	-	7,624,795
Deposits from related parties	78,871	-	79,134	-	79,134
Debt issued and other borrowed funds	430,208	351,530	-	-	351,530
	8,797,562	**351,530**	**8,387,412**	**-**	**8,738,942**

	Carrying Value	Fair Value			
31 December 2021	LBP Million	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL ASSETS					
Cash and balances with central banks	3,118,402	333,926	2,784,495	-	3,118,421
Due from banks and financial institutions	2,652,906	-	2,653,038	-	2,653,038
Loans to banks and financial institutions and reverse repurchase agreements	127,596	-	109,941	-	109,941
Net loans & advances to customers	4,131,242	-	-	3,721,648	3,721,648
Corporate and SME	*3,077,108*	-	-	*2,669,952*	*2,669,952*
Retail and Personal Banking	*1,054,134*	-	-	*1,051,696*	*1,051,696*
Net loans & advances to related parties	59,437	-	-	59,437	59,437
Corporate and SME	*41*	-	-	*41*	*41*
Retail and Personal Banking	*59,396*	-	-	*59,396*	*59,396*
Financial assets classified at amortised cost	494,863	472,294	19,166	-	491,460
Other sovereign	*208,800*	*186,229*	*19,166*	-	*205,395*
Private sector and other securities	*286,063*	*286,065*	-	-	*286,065*
	10,584,446	806,220	5,566,640	3,781,085	10,153,945
FINANCIAL LIABILITIES					
Due to central banks	244,188	-	244,188	-	244,188
Due to banks and financial institutions	500,532	-	500,532	-	500,532
Due to banks under repurchase agreements	38,610	-	38,610	-	38,610
Customers' deposits	8,787,712	-	8,789,919	-	8,789,919
Deposits from related parties	102,638	-	102,647	-	102,647
Debt issued and other borrowed funds	428,433	350,237	-	-	350,237
	10,102,113	350,237	9,675,896	-	10,026,133

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

Short-term Financial Assets and Liabilities

For financial assets and financial liabilities that have a short-term maturity (less than three months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include: cash and balances with central banks; due to and from banks; demand deposits; and savings accounts without a specific maturity.

Deposits with Banks and Loans and Advances to Banks

For the purpose of this disclosure, for financial assets that are short-term in nature or have interest rates that re-price frequently, there is minimal difference between fair value and carrying amount. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality. Where market data or credit information on the underlying borrower is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rate.

Reverse Repurchase and Repurchase Agreements

The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short-dated and fully collateralised.

Government Bonds, Certificates of Deposit and Other Debt Securities

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.

Loans and Advances to Customers

For the purpose of this disclosure, in many cases, the fair value disclosed approximates carrying value because these advances are short-term in nature or have interest rates that re-price frequently. The fair value of loans and advances to customers that do not fall in this category is estimated using discounted cash flows by applying current rates to new loans with similar remaining maturities and to counterparties with similar credit quality.

Deposits from Banks and Customers

In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, is estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities. Where market data is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rate.

49.0. 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.

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

	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 31 December 2022 (2021: same).

Legal Claims

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

The extent of the impact of these matters cannot always be predicted but may materially impact the Group's operations, financial results, condition and prospects. However, once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on advice from legal counsel, and despite the novelty of certain claims and the uncertainties inherent in their unique situation, Management believes that legal claims will not result in any material financial loss to the Group, except as provided for in Note 37, however they may have an impact on the offshore liquidity of the Group, its foreign assets, and its foreign currency exposure (Note 57).

Capital Expenditure Commitments

	2022 LBP Million	2021 LBP Million
Capital expenditure commitments	422	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 do not take into consideration the adjustments that may result from the resolution of the uncertainties in Note 1. Due to the high level of uncertainties and the lack of observable reliable indicators and the high gap in currency rates, the Group is unable to estimate in a reasonable manner the impact of these matters on its covenant calculation.

Other Commitments and Contingencies

Certain areas of the Lebanese tax legislation and the tax legislations where the subsidiaries operate are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities. The Bank's books in Lebanon for the years 2015 to 2017 (inclusive) are currently under review by the tax authorities. The outcome of this review cannot be determined yet. The Bank's books in Lebanon remain subject to the review of the tax authorities for the years 2018 to 2022 and the review of the National Social Security Fund (NSSF) for the period from 30 September 2011 to 31 December 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.

50.0. 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.

	2022 LBP Million	2021 LBP Million
Assets under management	9,729,265	11,195,957
Fiduciary assets	1,687,547	1,414,461
	11,416,812	12,610,418

51.0. Related-Party Transactions

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

Subsidiaries

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

Associates and Other Entities

The Group provides banking services to its associates and to entities under common directorships. As such, loans, overdrafts, interest and non-interest bearing deposits, and current accounts are provided to these entities, as well as other services. These transactions are conducted on the same terms as third-party transactions. Summarised financial information for the Group's associates is set out in Note 25 to these financial statements.

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

	2022 LBP Million	2021 LBP Million
Loans and advances	64,475	70,485
Of which: granted to Key Management Personnel	*7,451*	*7,504*
Of which: cash collateral received against loans	*55,241*	*63,045*
Indirect facilities	1,734	1,752
Deposits	116,350	145,494
Interest income on loans	682	1,264
Interest expense on deposits	505	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.

	2022 LBP Million	2021 LBP Million
Short-term benefits	16,523	15,448
Post-employment benefits – income statement	608	276
Post-employment benefits – other comprehensive income	(1,313)	2,933

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 4,035 million as of 31 December 2022 (2021: LBP 4,740 million).

52.0. Risk Management

The Group is exposed to various risk types, some of which are:
- Credit risk: the risk of default or deterioration in the ability of a borrower to repay a loan.
- Market risk: the risk of loss in balance sheet and off-balance sheet positions arising from movements in market prices. Movements in market prices include changes in interest rates (including credit spreads), exchange rates and equity prices.
- Liquidity risk: the risk that the Group cannot meet its financial obligations when they come due in a timely manner and at a reasonable cost.
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Other risks faced by the Group include concentration risk, reputation risk, litigation risk, compliance risk, political risk, business/strategic risk, and cybersecurity risk.

Risks are managed through a process of ongoing identification, measurement, monitoring, mitigation and control, and reporting to relevant stakeholders. The Group ensures that risks and rewards are properly balanced and in line with the risk appetite framework, which is approved by the Board of Directors.

Board of Directors

The Board of Directors (the Board) is ultimately responsible for setting the level of acceptable risks to which the Group is exposed, and as such, approves the risk appetite and policies of the Group. The Board monitors the risk profile in comparison to the risk appetite on a regular basis and follow-up on existing and emerging risks. A number of Management committees and departments are also responsible for various levels of risk management, as set out below.

Board Group Risk Committee

The role of the Board's Group Risk Committee (BGRC) is to oversee the risk management framework and assess its effectiveness, review and recommend to the Board the Group risk policies and risk appetite, monitor the Group's risk profile, review stress test scenarios and results, and provide access for the Group Chief Risk Officer (CRO) to the Board. The BGRC meets at least every quarter in the presence of the Group CRO.

Executive Committee

The mandate of the Executive Committee is to support the Board in the implementation of its strategy, to support the Group CEO in the day-to-day management of the Group, and to develop and implement business policies and issue guidance for the Group within the strategy approved by the Board. The Executive Committee is involved in reviewing and submitting to the Board the risk policies and risk appetite.

Asset Liability Committee

The Asset Liability Committee (ALCO) is a Management committee responsible in part for managing market and liquidity risks, as well as reviewing funding needs and contingency exposures. It is the responsibility of this committee to set up strategies for managing market risk and liquidity risk and ensuring that Treasury implements those strategies in line with the risk policy and limits approved by the Board.

Internal Audit

Risk management processes are independently audited by the Internal Audit Department at least annually. This includes the examination of both the adequacy and effectiveness of risk control procedures. Internal Audit discusses the results of its assessments with Management and reports its findings and recommendations to the Audit Committee of the Board.

Risk Management

Risk Management is a function independent from business lines and headed by the Group CRO. The function has the responsibility to ensure that risks are properly identified, measured, monitored, controlled, and reported to heads of business lines, Senior Management, ALCO, the Board Group Risk Committee and the Board. In addition, the function works closely with Senior Management to ensure that proper controls and mitigants are in place. The Risk function at the Group level has the responsibility of drafting risk policies and principles for adoption at the entity level. In addition, it is in charge of cascading risk appetite and limits to entities and business lines, as well as monitoring and aggregating the risk profile across the Group.

Risk Appetite

The Risk appetite reflects the level and type of risk that the Group is willing to accept, taking into account the Group's strategy, operating environment and regulatory constraints.

Risk appetite is formalised in a document which is reviewed by the Executive Committee and the Board Group Risk Committee, and approved by the Board. This document comprises qualitative and quantitative statements of risk appetite and includes key risk indicators covering various risk types.

Information independently compiled from business lines and risk-taking units is examined and aggregated in order to identify and measure the risk profile. The results are presented on a regular basis to the Management and the Board.

53.0. Credit Risk

Credit risk is the risk that the Group will incur a loss because its obligors or counterparties fail to meet their contractual obligations, including the full and timely payment of principal and interest. Credit risk arises from various balance sheet and off-balance sheet exposures including bank placements, loans and advances, credit commitments, financial guarantees, letters of credit, acceptances, investments in debt securities (including sovereign) and derivative financial instruments. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. In the case of credit derivatives, the Group is also exposed to the risk of default of the derivative's counterparty.

Credit Risk Management

Credit risk appetite and limits are set at the Group level by the Board and are cascaded to entities. The Group manages and controls credit risk by setting concentration limits on counterparties, geographies and sectors. It also monitors on a regular basis the risk profile in relation to these limits.

Credit risk is monitored by the Credit Review and Credit Risk functions in each entity, which are independent from business lines. These functions ensure a proper coverage of credit risk though the implementation of various processes, including but not limited to: i) providing independent opinions on credit files, ii) reviewing and approving obligors risk ratings assignments, iii) conducting portfolio reviews, iv) ensuring compliance with the Group's credit policy and limits, and v) aggregating data and reporting the credit risk profile to relevant stakeholders.

The Group has established various credit monitoring processes for the early detection of potential deteriorations in borrowers' credit quality and accordingly, and the implementation of corresponding remedial measures. These processes include regular loan portfolio reviews, IFRS 9 Impairment Committee meetings, as well as individual credit assessments of borrowers and their corresponding facilities. The latter process is mainly applicable for non-retail obligors.

The Group has also established an approval limit structure for granting and renewing credit facilities. Credit officers and credit committees are responsible for the approval of facilities up to their own assigned limits. Once approved, facilities are disbursed when all the requirements set by the respective approval authority are met and documents intended as security are obtained and verified by the Credit Administration function.

Since October 2019 events, the challenging economic situation in Lebanon has exerted significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality metrics of the Lebanese loan portfolio have declined driven by a weakening in the borrowers' creditworthiness across various segment types, as well as shrinking in the size of the loan portfolio. In order to address this challenging operating condition, the Group has implemented a series of remedial actions that included: i) risk deleveraging by reducing the loan portfolio, ii) increasing collection capacity across various business lines, iii) increasing specific and collective provision coverages, and iv) setting up an independent, centralised and specialised Remedial function to proactively manage problematic borrowers.

Expected Credit Losses

Governance and Oversight of Expected Credit Losses

The IFRS 9 Impairment Committee, which is a committee composed of Executive Committee members, oversees the implementation of the Expected Credit Loss (ECL) framework. This is being done by: i) approving the IFRS-9 Impairment Policy; ii) reviewing key assumptions and estimations that are part of the ECL framework; iii) approving the forward-looking economic scenarios; iv) approving staging classifications on a name-by-name basis for material exposures; and v) reviewing ECL results.

The Group reviews its IFRS-9 Impairment Policy on annual basis, at minimum, and amends it accordingly to reflect any change in the estimation methodology, embedded assumptions or regulatory requirements.

Key judgments inherent in this policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the Significant Increase in Credit Risk (SICR), are assessed through a combination of expert judgment and data-driven methodologies.

ECL is estimated using a model that takes into account the borrower's exposure, internal obligor risk rating, facility characteristics, and collateral information among other. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs. To manage the model risks, the Group has established a systematic approach for the development, validation, approval, implementation and on-going use of the models. Models are validated by a qualified independent party to the model developers, before first use and at regular intervals thereafter.

Each model is designated an owner who is responsible for: i) monitoring the performance of the model, which includes comparing estimated ECL versus actual realised losses; and ii) proposing post-model development adjustments to enhance model's accuracy or to account for situations where known or expected risk factors and information have not been considered in the modelling process. Models used in the estimation of ECL, including key inputs, are governed by a series of internal controls which include the validation of completeness and accuracy of data, reconciliation with Finance data, and documentation of the calculation steps.

ECL estimation takes into account a range of future economic scenarios which are set by economists within the Group's Research Department using independent models and expert judgment. Forward-looking economic scenarios, with their corresponding probabilities of occurrence, are updated annually or more frequently in the event of a significant change in the prevailing economic conditions.

Definition of Default and Cure

The Group considers a financial asset to be in default when:
- The borrower is unlikely to pay his credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).
- The borrower is more than 90 days past due on any material credit obligation to the Group.

As part of the qualitative assessment process of default identification, the Group carefully considers other criteria than the ones listed above in order to determine if an exposure should be classified in Stage 3 for ECL calculation purpose or if a Stage 2 classification is deemed more appropriate.

It is the Group's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria have been present for a specific period of time. The decision whether to classify an asset as Stage 2 or Stage 1 once cured is dependent on the absence of SICR criteria compared to the initial recognition date and is examined on a case-by-case basis. In case of forbearance under Stage 2, the borrower remains in this stage until all the following conditions have been met: i) at least a 12-month probation period has passed; ii) three consecutive payments under the new repayment schedule have been made; iii) the borrower has no past dues under any obligation to the Group; and iv) all the terms and conditions agreed to as part of the restructuring agreement have been met.

The Group's Internal Rating and PD Estimation Process

Central Banks, Sovereigns and Financial Institutions

For central banks, sovereigns and financial institutions' exposures, ratings from recognised external rating agencies are used and mapped to their corresponding PDs as reported by these agencies. These ratings with their corresponding PDs are monitored and updated on a regular basis. As per BdL Intermediate Circular 649 issued on 24 November 2022, provision coverages on exposures to Lebanese sovereign bonds in foreign currency should reach 75% by December 2026 (up from 45% as per Intermediate Circular 567 dated issued on 26 August 2020) and 1.89% respectively. Regulatory ECLs on exposure to Lebanese sovereign bonds in local currency and exposure to Central Bank of Lebanon in local currency are set to 0%.

Due to the high levels of uncertainties, the lack of observable indicators, and the lack of visibility on the Lebanese government's reform plans with respect to, among other, the exposures to the Central Bank of Lebanon, the Group was unable to estimate in a reasonable manner ECL on these exposures and accordingly, as applicable, the loss rate mentioned in BdL Intermediate Circular 649 was adopted.

As at 31 December 2022, the Group's ECL on exposures to Lebanese sovereign bonds in foreign currency amounted to LBP 87,890 million. The remaining ECL required to reach 75% amounting to LBP 107,433 million will be amortised over the coming three years. ECL on these exposures to the Central Bank of Lebanon in foreign currency reached 1.89% at 31 December 2022.

Non-retail Loans

The Risk function is responsible for the development of internal rating models and for the estimation of Probability of Default (PD) and Loss Given Default (LGD). The Group uses an internal Obligor Risk Rating (ORR) scale comprised of 19 performing grades and 3 non-performing grades. These grades, which are generated by internal rating models, are calibrated to PDs using historical default observations that are specific to each geography and business line segment. If historical default observations are not sufficient for a reliable PD estimation, then a low-default portfolio approach is adopted. The mapping of ratings to PDs, which is done initially on a through-the-cycle basis, is then adjusted to a point-in-time basis. PDs are also adjusted to incorporate forward-looking component in line with the IFRS 9 standard.

Internal rating models for the Group's key lending portfolios (including Corporate and SME) take into account both qualitative and quantitative criteria to generate ratings such as:

- Historical and projected financial information related to the customer. These include debt service coverage, operations, liquidity, capital structure and other relevant financial ratios.
- Account behaviour, repayment history and other non-financial information such as management quality, company standing and industry risk.
- Any publicly available information from external parties. This includes external credit ratings issued by recognised rating agencies,

independent research analyst reports and other market disclosures.
- Macro-economic information such as GDP growth corresponding to the customer's country of operations.
- Other supporting information on the obligor's willingness and capacity to repay its debt.

Internal ratings are initially assigned by the credit origination functions (i.e. business lines) and are approved and validated by the Credit Review and function which is independent from business lines. The Credit Review and functions is responsible for ensuring that ratings assigned to obligors are accurate and updated at all times.

Retail Loans and Private Banking

Retail lending comprises mainly of personal loans, car loans, credit cards and housing loans. The Group normally relies on application scorecards to score retail applicants and for either, the automation of decisions according to a certain cut-off score or as an additional input to support the approval or reject decision by specialised credit officers. For the estimation of expected losses for retail products, the Group uses the loss approach by product based on the net flow of exposures from one days-past-due bucket to another. This estimation is adjusted by a forward-looking component in line with the IFRS-9 standard.

Private Banking credit exposures are mainly related to margin lending activities where the Group typically holds high liquid and diversified securities as collaterals with very conservative loan to value thresholds. This lending discipline, together with very tight and automated monitoring standards, ensure the portfolio remains of very high quality. The ECLs for these exposures is dependent on collateral types and coverage level, among others.

Loss Given Default (LGD)

LGD is the magnitude of the likely loss in the event of a default. The Group estimates LGD based on the history of recovery rates of claims against defaulted counterparties that were fully settled, as well as on the potential future recoveries on defaulted counterparties that still have outstanding balances. LGD estimation is dependent on the counterparty and collateral type, as well as recovery costs. For portfolios with limited historical data, external benchmark information is used to supplement available internal data.

Exposure at Default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

Significant Increase in Credit Risk

The Group continuously monitors all its credit risk exposures. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or Lifetime ECL (LTECL), the Group assesses whether there has been a significant increase in credit risk since initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information based on the Group's historical experience and expert credit assessment including forward-looking information. The Group assessment of significant increase in credit risk is being performed on a monthly basis based on the following:

Non-retail Portfolio

Migration of obligor risk rating by a certain number of notches from origination date to reporting date as a key indicator of the change in the risk of default at origination date with the risk of default at reporting date. The Group also considers in its assessment of significant increase in credit risk various qualitative factors including significant adverse changes in business condition, restructuring due to credit quality weakness during the past 12 months, and classification of an exposure under the "Follow-up and Regularisation" supervisory classification.

Retail Portfolio

The Group considers specific conditions that might be indicative of a significant increase in credit risk such as the occurrence of a restructuring event.

Backstop

As a backstop, the financial instrument is considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past-due on his contractual payment.

Downgrade from Stage 2 to Stage 3 is based on whether financial assets are credit-impaired at the reporting date.

Expected Life

With the exception of revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. With respect to revolving facilities, the Group does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects the Group's expectations with regards to the customer's behaviour, its likelihood of default and future risk mitigation actions, which could include reducing or cancelling the facilities.

Forward-looking Information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition, and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the median scenario and two less likely scenarios, one upside and one downside, each assigned a specific probability of occurrence. The base case scenario is aligned with information used by the Group for other purposes such as strategic and budgeting planning processes.

These scenarios, including the weights attributable to them, are prepared by economists in the Research Department. They are determined using a combination of expert judgment and model output. The Group reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

The Group has identified real GDP growth, among others, as the key driver of ECL for several countries where it operates. Using an analysis of historical data, the Group has estimated relationships between this macro-economic variable and credit losses. The ECL estimates have been assessed for sensitivity to changes in forecasts of the macroeconomic-variable and also together with changes to the weights assigned to the scenarios. For the Group's various countries of operations, excluding Lebanon, the impact on ECL is not material.

For Lebanon, given the prevailing high economic and financial uncertainties and challenges, as disclosed in Note 1, ECLs estimation remains subject to high volatility (including from changes to macroeconomic variable forecasts) especially in view of the prolonged crisis and continued deterioration in economic conditions. It is not practical at this stage to determine and provide sensitivity analysis that is reasonably possible before the full resolution of these prevailing high uncertainties.

Modified and Forborne Loans

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention, and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in The Summary of Significant Accounting Policies above.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on his debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk.

The table below includes Stage 1 and 2 assets that were modified and, therefore, treated as forborne during the year.

	2022 LBP Million	2021 LBP Million
Amortised costs of financial assets modified during the period	133,501	414,584

Financial Assets and ECLs by Stage

The tables below present an analysis of financial assets at amortised cost by gross exposure and impairment allowance by stage allocation as at 31 December 2022 and 31 December 2021. The Group does not hold any purchased or originated credit-impaired assets as at year-end.

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

	Gross Exposure				Impairment Allowance				
31 December 2021	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

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of loans and advances at amortised cost:

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2022	290,360	253,968	750,923	1,295,251
Net re-measurements and reallocations	(235,459)	(110,015)	194,393	(151,081)
Recoveries	-	-	(126,434)	(126,434)
Write-offs	-	-	(123,824)	(123,824)
Other movements	-	-	38,747	38,747
Foreign exchange difference	(1,785)	(14,879)	(25,283)	(41,947)
Balance at 31 December 2022	53,116	129,074	708,522	890,712

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2021	314,840	334,034	914,722	1,563,596
Net re-measurements and reallocations	(12,950)	(28,653)	156,531	114,928
Recoveries	-	-	(136,770)	(136,770)
Write-offs	-	-	(145,600)	(145,600)
Other movements	-	-	49,747	49,747
Foreign exchange difference	(11,530)	(51,413)	(87,707)	(150,650)
Balance at 31 December 2021	290,360	253,968	750,923	1,295,251

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity, was LBP 1,505,365 million at 31 December 2022 (2021: LBP 1,381,541 million).

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of financial assets at amortised cost:

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2022	688	73,121	120,951	194,760
Net re-measurements and reallocations	2,742	(7,869)	(32,676)	(37,803)
Related to financial assets sold	-	-	(46,641)	(46,641)
Other movements	-	-	46,277	46,277
Foreign exchange difference	(788)	-	(21)	(809)
Balance at 31 December 2022	2,642	65,252	87,890	155,784

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2021	1,121	73,121	74,097	148,339
Net re-measurements and reallocations	121	-	45,543	45,664
Other movements	-	-	1,800	1,800
Foreign exchange difference	(554)	-	(489)	(1,043)
Balance at 31 December 2021	688	73,121	120,951	194,760

As at 31 December 2022, expected credit losses on Lebanese government bonds in foreign currency amounting to LBP 107,433 million will be recorded in the coming three years to reach 75% of the exposure, as permitted by Intermediate Circular 649 issued on 24 November 2022.

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of balances with central banks:

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2022	304	218,991	-	219,295
Net re-measurements and reallocations	162	7,869	-	8,031
Foreign exchange difference	(106)	1,234	-	1,128
Balance at 31 December 2022	360	228,094	-	228,454

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2021	324	218,991	-	219,315
Net re-measurements and reallocations	561	-	-	561
Foreign exchange difference	(581)	-	-	(581)
Balance at 31 December 2021	304	218,991	-	219,295

Net re-measurements and reallocations include re-measurements as a result of changes in the size of portfolios, reclassifications between stages and risk parameter changes.

Analysis of Risk Concentrations

Geographical Location Analysis

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

	2022									
	Lebanon LBP Million	Turkey LBP Million	MENA LBP Million	Europe LBP Million	North America LBP Million	Asia LBP Million	Rest of Africa LBP Million	Central and South America LBP Million	Rest of the World LBP Million	**Total LBP Million**
Balances with central banks	12,938,474	607,751	-	564,504	-	-	-	-	-	14,110,729
Due from banks and financial institutions	22,997	411,216	201,786	2,028,020	352,190	554	3	-	-	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	-	216,397	-	-	-	-	-	-	-	216,397
Derivative financial instruments	365	30,489	285	83,341	4,383	122	158	-	-	119,143
Financial assets at fair value through profit or loss	16,168	868	-	199,805	-	-	-	99	-	216,940
Loans and advances to customers at amortised cost	2,347,976	2,263,487	456,883	341,932	5,928	72,710	342,355	29,930	9,919	5,871,120
Loans and advances to related parties at amortised cost	7,995	-	55,547	933	-	-	-	-	-	64,475
Debtors by acceptances	830	-	220	756	-	-	5,249	-	-	7,055
Financial assets at amortised cost	5,635,950	342,280	117,356	230,219	580,821	129,065	-	-	19,765	7,055,456
Financial assets at fair value through other comprehensive income	-	843,596	13,577	-	29,497	12,916	-	-	-	899,586
Other assets	506,145	42,416	1,713	6,621	-	-	-	-	-	566,895
	21,476,900	**4,758,500**	**847,367**	**3,456,131**	**972,819**	**215,367**	**347,765**	**30,029**	**29,684**	**32,134,562**

	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	1,624,504	73,342	3,441	13,368	-	-	-	-	-	1,714,655
	26,844,681	4,960,838	910,711	4,562,774	756,056	208,139	372,086	25,071	40,813	38,681,169

Industrial Analysis

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

	2022									
	Financial Services and Brokerage LBP Million	Government LBP Million	Consumers LBP Million	Retail and Wholesale LBP Million	Construction and Materials LBP Million	Manufacturing LBP Million	Energy and Petroleum LBP Million	Services and Utilities LBP Million	Agriculture LBP Million	**Total LBP Million**
Balances with central banks	-	14,110,729	-	-	-	-	-	-	-	14,110,729
Due from banks and financial institutions	3,016,766	-	-	-	-	-	-	-	-	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	216,397	-	-	-	-	-	-	-	-	216,397
Derivative financial instruments	86,726	11,960	12,514	-	-	-	-	7,943	-	119,143
Financial assets at fair value through profit or loss	199,805	17,135	-	-	-	-	-	-	-	216,940
Loans and advances to customers at amortised cost	505,373	21,354	1,581,277	727,277	656,655	955,255	276,710	1,056,124	91,095	5,871,120
Loans and advances to related parties at amortised cost	55,583	-	8,289	-	-	-	-	603	-	64,475
Debtors by acceptances	424	-	-	5,959	364	308	-	-	-	7,055
Financial assets at amortised cost	413,761	6,520,030	64,071	-	-	49,688	-	7,906	-	7,055,456
Financial assets at fair value through other comprehensive income	26,292	868,072	-	-	-	2,950	-	2,272	-	899,586
Other assets	139,666	409,017	8,212	-	-	-	-	-	-	556,895
	4,660,793	**21,958,297**	**1,674,363**	**733,236**	**657,019**	**1,008,201**	**276,710**	**1,074,848**	**91,095**	**32,134,562**

	2021									
	Financial Services and Brokerage LBP Million	Government LBP Million	Consumers LBP Million	Retail and Wholesale LBP Million	Construction and Materials LBP Million	Manufacturing LBP Million	Energy and Petroleum LBP Million	Services and Utilities LBP Million	Agriculture LBP Million	Total LBP Million
Balances with central banks	-	18,143,742	-	-	-	-	-	-	-	18,143,742
Due from banks and financial institutions	2,680,674	-	-	-	-	-	-	-	-	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	127,877	-	-	-	-	-	-	-	-	127,877
Derivative financial instruments	208,661	-	74,409	3,997	-	-	-	-	-	287,067
Financial assets at fair value through profit or loss	113,968	1,468	-	-	-	-	-	-	-	115,436
Loans and advances to customers at amortised cost	590,329	37,397	2,119,222	841,466	1,000,890	901,927	354,395	1,187,759	45,742	7,079,127
Loans and advances to related parties at amortised cost	58,469	-	11,876	-	-	-	-	140	-	70,485
Debtors by acceptances	269	-	1,876	29,867	219	23,358	-	302	-	55,891
Financial assets at amortised cost	227,785	6,998,847	14,645	-	-	38,742	-	4,890	-	7,284,909
Financial assets at fair value through other comprehensive income	204,108	917,198	-	-	-	-	-	-	-	1,121,306
Other assets	266,946	1,415,028	32,681	-	-	-	-	-	-	1,714,655
	4,479,086	27,513,680	2,254,709	875,330	1,001,109	964,027	354,395	1,193,091	45,742	38,681,169

Credit Quality

The Group assesses the quality of its credit portfolio using the following credit rating methodologies:

(i) External ratings from approved credit rating agencies for fixed income instruments and financial institutions exposures.

(ii) Internal rating models that take into account both financial and non-financial information such as management quality, operating environment and company standing. The Group has designed specific internal rating models for Corporate, SME models, Project Finance and Individual borrowers.

(iii) Supervisory classifications, comprising six main categories: (a) Regular includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These borrowers display regular and timely payment of their dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required. (b) Follow-up represents a lack of updated documentation related to the borrower's activity, an inconsistency between facilities' type and related conditions. (c) Follow-up and regularisation includes creditworthy borrowers requiring close monitoring without being impaired. These borrowers usually demonstrate signs of weaknesses (such as insufficient or inadequate cash flows, high leverage ratio, excess utilisation, multiple loan rescheduling since initiation), or operating under deteriorating economic or geographic conditions. (d) Substandard loans include borrowers showing clear signs of inability to repay their facilities on due time, as well as financial difficulties (e.g. hard core accounts, weakened cash generation capacity). (e) Doubtful loans where full repayment is questioned even after liquidation of collateral, when applicable. It also includes loans with past-dues for over 6 months and debtors who are unable to repay their restructured facilities. Finally, (f) bad loans which relate to obligors with no or little expected repayment from business activities or assets liquidation. This category also includes borrowers with significant delays and deemed insolvent.

Sovereign and Banks and Financial Institutions

External Rating Grade	Credit Quality Description
AA+, AA, AA-	High
A+, A, A-	High
BBB+, BBB, BBB-	Standard
BB+, BB, BB-	Standard
B+, B, B-	Weak
CCC+, CCC, CCC-	Weak
CC, C, D	Credit-impaired

Non-retail Loans

Internal Rating Grade(*)	Credit Quality Description
Performing	
1	High
2	High
3	High
4	Standard
5	Standard
6	Standard
7	Weak
Non-performing	
8	Credit-impaired
9	Credit-impaired
10	Credit-impaired

(*) The internal rating grade is based on the obligor risk rating (which is mapped to PD) and therefore does not incorporate facility risk characteristics and structure such as the existence of credit risk mitigants (impacting LGD). For this reason, an obligor risk rating can be mapped to different supervisory ratings depending on the expected loss level.

Retail

Internal Rating Grade(*)	Credit Quality Description
Performing	
B0 (0 days past due)	High
B1 (1 to 30 days past due)	Standard
B2 (31 to 60 days past due)	Standard
B3 (61 to 90 days past due)	Weak
Non-performing	
B4 – B6 (91 to 180 days past due)	Credit-impaired
B7 – B12 (181 days to 360 days past due)	Credit-impaired
B13 (more than 360 days past due)	Credit-impaired

The credit quality descriptions can be summarised as follows:

- *High*: there is a very high likelihood that the asset will be recovered in full. The counterparty exhibits high ability and willingness to meets its full obligation on due time.
- *Standard*: there is a high likelihood that the asset will be recovered in full. At the lower end of this category however, there are obligors showing some signs of reduced repayment capacity, as well as retail borrowers in their early delinquency status.
- *Weak*: there is a concern on the obligor's ability to make payments when due. However, this has not materialised yet in an event of default. Under this category, the borrower, who is now under a close monitoring and follow-up process, continues to repay his dues, albeit with some and/or recurring delays. Under this category, the exposure is exhibiting an increased risk of loss.

The table below shows the credit quality of the Group's financial instruments and balances due from banks and financial institutions as per external ratings.

	2022											
	Sovereign and Central Banks						Non-sovereign					
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Below B- LBP Million	Unrated LBP Million	**Total LBP Million**	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Unrated LBP Million	**Total LBP Million**	**Grand Total LBP Million**
Balances with central banks	564,504	-	607,751	-	12,938,474	14,110,729	-	-	-	-	-	14,110,729
Due from banks and financial institutions	-	-	-	-	-	-	1,228,340	1,302,072	421,940	64,414	3,016,766	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	-	-	-	-	-	6,459	209,938	216,397	216,397
Financial assets at fair value through profit or loss	-	-	868	16,267	-	17,135	199,805	-	-	-	199,805	216,940
Financial assets at amortised cost	525,952	16,126	342,280	2,222,128	3,413,544	6,520,030	265,060	270,088	-	278	535,426	7,055,456
Financial assets at fair value through other comprehensive income	24,477	-	843,595	-	-	868,072	26,303	5,211	-	-	31,514	899,586
	1,114,933	**16,126**	**1,794,494**	**2,238,395**	**16,352,018**	**21,515,966**	**1,719,508**	**1,577,371**	**428,399**	**274,630**	**3,999,908**	**25,515,874**

	2021											
	Sovereign and Central Banks						Non-sovereign					
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Below B- LBP Million	Unrated LBP Million	Total LBP Million	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Unrated LBP Million	Total LBP Million	Grand Total LBP Million
Balances with central banks	1,856,848	-	936,718	-	15,350,176	18,143,742	-	-	-	-	-	18,143,742
Due from banks and financial institutions	-	-	-	-	-	-	1,069,135	1,482,211	31,828	97,500	2,680,674	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	-	-	-	-	-	-	127,877	127,877	127,877
Financial assets at fair value through profit or loss	-	-	104	1,364	-	1,468	113,968	-	-	-	113,968	115,436
Financial assets at amortised cost	32,897	31,696	144,208	2,927,242	3,862,804	6,998,847	74,619	211,443	-	-	286,062	7,284,909
Financial assets at fair value through other comprehensive income	99,545	-	817,653	-	-	917,198	134,177	69,931	-	-	204,108	1,121,306
	1,989,290	31,696	1,898,683	2,928,606	19,212,980	26,061,255	1,391,899	1,763,585	31,828	225,377	3,412,689	29,473,944

The table below shows the credit quality of the Group's loans and advances to customers based on credit quality segment and stage classification.

	2022			
	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
Loans and advances to customers at amortised cost	4,964,052	788,715	1,009,065	6,761,832
Corporate and SMEs	3,414,443	744,315	681,480	4,840,238
Performing				
High	*307,059*	-	-	*307,059*
Standard	*2,658,579*	*93,199*	-	*2,751,778*
Weak	*448,805*	*651,116*	-	*1,099,921*
Non-performing				
Credit-impaired	-	-	*681,480*	*681,480*
Retail and Private Banking	1,540,365	43,256	286,885	1,870,506
Performing				
High	*694,109*	-	-	*694,109*
Standard	*805,182*	*17,491*	-	*822,673*
Weak	*41,074*	*25,765*	-	*66,839*
Non-performing				
Credit-impaired	-	-	*286,885*	*286,885*
Public sector	9,244	1,144	40,700	51,088
Performing				
High	*9,244*	-	-	*9,244*
Weak	-	*1,144*	-	*1,144*
Non-performing				
Credit-impaired	-	-	*40,700*	*40,700*
Loans and advances to related parties at amortised cost	64,476	-	-	64,476
Performing				
High	*64,476*	-	-	*64,476*
Off-balance sheet loan commitments and financial guarantee contracts	1,614,563	51,807	10,200	1,676,570
Performing				
High	*218,967*	-	-	*218,967*
Standard	*1,382,670*	*10,214*	-	*1,392,884*
Weak	*12,926*	*41,593*	-	*54,519*
Non-performing				
Credit-impaired	-	-	*10,200*	*10,200*
Total	6,643,091	840,522	1,019,265	8,502,878

	2021			
	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
Loans and advances to customers at amortised cost	5,714,060	1,534,600	1,125,718	8,374,378
Corporate and SMEs	3,600,512	1,404,675	778,275	5,783,462
Performing				
High	222,118	-	-	222,118
Standard	2,900,604	104,590	-	3,005,194
Weak	477,790	1,300,085	-	1,777,875
Non-performing				
Credit-impaired	-	-	778,275	778,275
Retail and Private Banking	2,113,548	122,366	301,221	2,537,135
Performing				
High	850,677	-	-	850,677
Standard	1,262,354	101,932	-	1,364,286
Weak	517	20,434	-	20,951
Non-performing				
Credit-impaired	-	-	301,221	301,221
Public sector	-	7,559	46,222	53,781
Performing				
Weak	-	7,559	-	7,559
Non-performing				
Credit-impaired	-	-	46,222	46,222
Loans and advances to related parties at amortised cost	70,507	-	-	70,507
Performing				
High	70,507	-	-	70,507
Off-balance sheet loan commitments and financial guarantee contracts	1,780,851	74,635	9,023	1,864,509
Performing				
High	298,714	43	-	298,757
Standard	1,432,937	11,367	-	1,444,304
Weak	49,200	63,225	-	112,425
Non-performing				
Credit-impaired	-	-	9,023	9,023
Total	7,565,418	1,609,235	1,134,741	10,309,394

Maximum Exposure to Credit Risk and Collateral and Other Credit Enhancements

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

	2022								
	Maximum Exposure LBP Million	Cash Collateral and Margins LBP Million	Securities LBP Million	Guarantees Received from Banks and Financial Institutions LBP Million	Real Estate LBP Million	Vehicles LBP Million	Other Guarantees LBP Million	Risk Transfer LBP Million	Net Credit Exposure LBP Million
Balances with central banks	14,110,729	-	-	-	-	-	-	-	**14,110,729**
Due from banks and financial institutions	3,016,766	-	-	-	-	-	-	-	**3,016,766**
Loans to banks and financial institutions and reverse repurchase agreements	216,397	-	-	-	-	-	-	-	**216,397**
Derivative financial instruments	119,143	-	-	-	-	-	-	-	**119,143**
Financial assets at fair value through profit or loss	216,940	-	-	-	-	-	-	-	**216,940**
Loans and advances to customers at amortised cost	5,871,120	425,108	623,615	9,415	1,722,258	110,070	139,383	-	**2,841,271**
Corporate and SME	*4,230,055*	*228,180*	*70,961*	*9,384*	*1,201,085*	*105,991*	*136,312*	-	***2,478,142***
Retail and Personal Banking	*1,618,515*	*196,928*	*552,654*	*31*	*521,173*	*4,079*	*3,071*	-	***340,579***
Public sector	*22,550*	-	-	-	-	-	-	-	***22,550***
Loans and advances to related parties at amortised cost	64,475	55,241	-	-	4,664	4	784	-	**3,782**
Debtors by acceptances	7,055	3,242	-	-	-	-	-	-	**3,813**
Financial assets at amortised cost	7,055,456	-	-	-	-	-	-	16,506	**7,038,950**
Financial assets at fair value through other comprehensive income	899,586	-	-	-	-	-	-	-	**899,586**
Other assets	556,895	-	-	-	-	-	-	-	**556,895**
Contingent liabilities	447,236	39,823	6,556	25,795	1,312	82	14,693	-	**358,975**
Letters of credit	*193,869*	*3,531*	-	*19,598*	-	-	-	-	***170,740***
Financial guarantee given to banks and financial institutions	*5,019*	-	-	-	-	-	-	-	***5,019***
Financial guarantee given to customers	248,348	*36,292*	*6,556*	*6,197*	*1,312*	*82*	*14,693*	-	***183,216***
Total	32,581,798	523,414	630,171	35,210	1,728,234	110,156	154,860	16,506	29,383,249
Guarantees received from banks, financial institutions and customers									
Utilised collateral		523,414	630,171	35,210	1,728,234	110,156	154,860		3,182,045
Surplus of collateral before undrawn credit lines		797,786	1,867,328	13,929	8,415,823	164,161	687,928		11,946,955
		1,321,200	2,497,499	49,139	10,144,057	274,317	842,788		15,129,000

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 2,279,907 million as at 31 December 2022.

	2021								
	Maximum Exposure LBP Million	Cash Collateral and Margins LBP Million	Securities LBP Million	Guarantees Received from Banks and Financial Institutions LBP Million	Real Estate LBP Million	Vehicles LBP Million	Other Guarantees LBP Million	Risk Transfer LBP Million	Net Credit Exposure LBP Million
Balances with central banks	18,143,742	-	-	-	-	-	-	-	18,143,742
Due from banks and financial institutions	2,680,674	-	-	-	-	-	-	-	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	127,877	-	-	-	-	-	-	-	127,877
Derivative financial instruments	287,067	-	-	-	-	-	-	-	287,067
Financial assets at fair value through profit or loss	115,436	-	-	-	-	-	-	-	115,436
Loans and advances to customers at amortised cost	7,079,127	440,721	749,388	41,800	2,348,158	108,151	145,823	-	3,245,086
Corporate and SME	*4,918,878*	*148,697*	*133,254*	*41,631*	*1,477,580*	*92,907*	*134,965*	-	*2,889,844*
Retail and Personal Banking	*2,133,679*	*292,024*	*616,134*	*169*	*870,578*	*15,244*	*10,858*	-	*328,672*
Public sector	*26,570*	-	-	-	-	-	-	-	*26,570*
Loans and advances to related parties at amortised cost	70,485	63,045	-	-	2,584	23	784	-	4,049
Debtors by acceptances	55,891	8,566	-	-	-	-	-	-	47,325
Financial assets at amortised cost	7,284,909	-	-	-	-	-	-	101,683	7,183,226
Financial assets at fair value through other comprehensive income	1,121,306	-	-	-	-	-	-	-	1,121,306
Other assets	1,714,655	-	-	-	-	-	-	-	1,714,655
Contingent liabilities	560,743	56,292	8,588	6,499	8,163	126	15,187	-	465,888
Letters of credit	*254,229*	*10,703*	-	*317*	*3,267*	-	-	-	*239,942*
Financial guarantee given to banks and financial institutions	18,881	-	-	-	-	-	-	-	18,881
Financial guarantee given to customers	287,633	*45,589*	*8,588*	*6,182*	*4,896*	*126*	*15,187*	-	*207,065*
Total	39,241,912	568,624	757,976	48,299	2,358,905	108,300	161,794	101,683	35,136,331
Guarantees received from banks, financial institutions and customers									
Utilised collateral		568,624	757,976	48,299	2,358,905	108,300	161,794		4,003,898
Surplus of collateral before undrawn credit lines		2,610,400	2,383,406	11,542	8,775,539	169,551	867,016		14,817,454
		3,179,024	3,141,382	59,841	11,134,444	277,851	1,028,810		18,821,352

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 2,765,219 million as at 31 December 2021.

Collateral and Other Credit Enhancements

The Group obtains collaterals during its lending activities as a protection against potential losses that may result when borrowers default on their credit obligations. The amount and type of collateral required depend usually on the obligor's creditworthiness. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of a received collateral on a regular basis and requests additional collateral in accordance with the underlying agreement when deemed necessary.

The main types of collateral obtained are as follows:

- Securities: the balances shown represent the fair value of the securities.

- Letters of credit/guarantees: the Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions, which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group.

- Real estate (commercial and residential): the Group holds, in some cases, a first-degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown reflects the fair value of the property limited to the related mortgaged amount.

- Netting agreements: the Group makes use of netting agreements and other arrangements not eligible for netting under IAS 32 Financial Instruments: Presentation, with its counterparties. Such arrangements provide for net settlement of all financial instruments covered by the agreements in the event of default. Although these netting arrangements do not normally result in an offset of balance sheet assets and liabilities (as the conditions for offsetting under IAS 32 may not apply), they nevertheless reduce the Group's exposure to credit risk outstanding amounts of such contracts.

In addition to the above, the Group also obtains corporate guarantees from parent companies for loans to their subsidiaries, personal guarantees from shareholders of the borrowing company, second-degree mortgages on real estate assets, and assignments of insurance or bills proceeds and revenues, which are not reflected in the above table.

54.0. Market Risk

Market risk is defined as the potential loss in both on-balance sheet and off-balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates and equity prices.

The responsibilities of the Market Risk function are to identify, measure, monitor control and report all current and future potential market risks to which the Group is exposed. This includes the effective implementation of a proper risk management framework around the treasury, investment portfolio, and asset and liability activities through the adoption of consistent and comprehensive risk management tools and methodologies. The Group monitors the risk profile generated by these activities in order to ensure that it remains within the approved risk policies and limits.

The Group conducts stress tests on a regular basis using various scenarios and assumptions that are deemed plausible and relevant to the Bank's business model and operating environment.

Currency Risk

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

As disclosed in Note 1.3, the Group's assets and liabilities in foreign currencies are valued at the official published exchange rate. Due to the high volatility and the significant variance in exchange rates between the multiple currency markets, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the financial statements. In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. "Sayrafa" rates and parallel market rates remained highly volatile and divergent from the new official published exchange rate official (LBP 42,000 and LBP 58,200 respectively at 1 February 2023). The consolidated financial statements as at and for the year ended 31 December 2022 do not include adjustments from the change in this rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. The Group will use the new rate of LBP 15,000 in its subsequent financial information reporting, with the first period being the quarterly reporting as of 31 March 2023.

The carrying amounts of total assets, liabilities and shareholders' equity as at 31 March 2023 were reported at LBP 277,647,677 million, LBP 257,124,048 million and LBP 20,523,629 million, respectively.

The gap between the several exchange rates and the subjectivity and complexities surrounding exchange rates remained even after the change in the official published exchange rate, and Management believes that the future unification of the exchange rate of the LBP to the US Dollar will further have a significant impact on its financial position and regulatory ratios from the translation of assets and liabilities in foreign currencies at a different rate.

Management is unable to determine what would be a reasonable possible movement in order to provide a useful quantitative sensitivity analysis.

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

	2022					
	LBP LBP Million	USD LBP Million	EUR LBP Million	TRY LBP Million	Other LBP Million	**Total** **LBP Million**
Assets						
Cash and balances with central banks	1,189,224	11,514,238	1,265,328	92,617	243,147	14,304,554
Due from banks and financial institutions	193	2,118,222	274,908	404,129	219,314	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	216,397	-	216,397
Derivative financial instruments	-	54,949	4,859	49,066	10,269	119,143
Financial assets at fair value through profit or loss	-	56,439	375	126	199,805	256,745
Loans and advances to customers at amortised cost	1,741,498	1,481,306	1,273,983	1,159,111	215,222	5,871,120
Loans and advances to related parties at amortised cost	4,810	58,735	930	-	-	64,475
Debtors by acceptances	-	5,713	966	-	376	7,055
Financial assets at amortised cost	2,075,903	4,363,497	127,637	488,419	-	7,055,456
Financial assets at fair value through other comprehensive income	21,713	426,142	82,868	495,335	5,783	1,031,841
Investments in associates	-	14,359	-	-	-	14,359
Property and equipment and right-of-use assets	7,550,404	617	9,960	24,356	61,431	7,646,768
Intangible assets	39,017	-	738	19,602	1,420	60,777
Assets obtained in settlement of debt	2,685	95,782	-	64,933	-	163,400
Other assets	519,123	70,419	8,079	47,892	16,945	662,458
Deferred tax assets	3,217	-	12	47,852	6,114	57,195
Goodwill	-	42,442	-	-	-	42,442
Total assets	**13,147,787**	**20,302,860**	**3,050,643**	**3,109,835**	**979,826**	**40,590,951**
Liabilities and shareholders' equity						
Due to central banks	2,432,013	29,245	40	272,669	-	2,733,967
Due to banks and financial institutions	179,155	319,332	76,856	-	8,142	583,485
Due to banks under repurchase agreements	-	-	-	49,799	-	49,799
Derivative financial instruments	-	16,728	5,346	19,502	12,984	54,560
Customers' deposits	5,430,165	18,250,570	2,173,998	2,515,948	730,257	29,100,938
Deposits from related parties	4,805	98,178	7,513	137	5,717	116,350
Debt issued and other borrowed funds	-	823,443	-	-	-	823,443
Engagements by acceptances	-	5,713	966	-	376	7,055
Other liabilities	187,744	121,608	17,547	56,914	22,008	405,821
Deferred tax liabilities	98,292	-	-	-	2,005	100,297
Current tax liability	8,834	-	2,500	17,396	266	28,996
Provisions for risks and charges	383,941	40,071	3,009	79,260	24,617	530,898
Shareholders' equity	3,743,997	3,259,269	47,229	(1,272,214)	277,061	6,055,342
Total liabilities and shareholders' equity	**12,468,946**	**22,964,157**	**2,335,004**	**1,739,411**	**1,083,433**	**40,590,951**

	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 de facto 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:

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

	2021			
	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				
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

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Positions are monitored on a regular basis by Management and, whenever possible, hedging strategies are used to ensure positions are maintained within established limits.

The table below shows the sensitivity of interest income to 1% parallel changes in interest rates, all other variables being held constant.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates. The result includes the effect of hedging instruments and assets and liabilities held at 31 December 2022 and 2021. Given the prolonged nature of the Lebanese crisis and related high level of uncertainties, the Group expects the low interest rates environment for the local currency (or equivalent) to continue prevailing in Lebanon during 2023. The Group is also unable to determine what would be a reasonably possible change in interest rates. The Central Bank of Lebanon has already decreased interest rates used by the Lebanese banking sector through its various intermediate circulars.

The change in interest income is calculated over a 1-year period while the effect of any future associated hedges made by the Group is not accounted for.

	Decrease in Basis Points	**2022 LBP Million Decrease**	2021 LBP Million Decrease
LBP	- 100	38,182	1,968
USD	- 100	100,771	97,388
EUR	- 100	4,028	12,158
TRY	- 100	8,262	8,273

The Group's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates, particularly with regard to the maturity of customers' demand deposits.

	2022								
	Up to 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million	Total Less than 1 Year LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total More than 1 Year LBP Million	Non-interest Bearing LBP Million	**Total LBP Million**
Assets									
Cash and balances with central banks	3,087,222	162,900	-	3,250,122	2,944,431	4,491,599	7,436,030	3,618,402	14,304,554
Due from banks and financial institutions	2,511,563	184,900	311,539	3,008,002	-	-	-	8,764	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	37,592	147,632	8,482	193,706	7,960	-	7,960	14,731	216,397
Derivative financial instruments	32,268	38,084	8,174	78,526	23,124	17,441	40,565	52	119,143
Financial assets at fair value through profit or loss	201,734	230	5,150	207,114	6,386	3,372	9,758	39,873	256,745
Loans and advances to customers at amortised cost	2,092,743	1,271,213	1,175,061	4,539,017	859,460	377,502	1,236,962	95,141	5,871,120
Loans and advances to related parties at amortised cost	3,475	626	2,464	6,565	56,557	1,171	57,728	182	64,475
Financial assets at amortised cost	76,404	59,686	2,738,828	2,874,918	1,852,811	2,203,049	4,055,860	124,678	7,055,456
Financial assets at fair value through other comprehensive income	15,411	45,090	190,732	251,233	557,378	90,976	648,354	132,254	1,031,841
Total assets	**8,058,412**	**1,910,361**	**4,440,430**	**14,409,203**	**6,308,107**	**7,185,110**	**13,493,217**	**4,034,077**	**31,936,497**
Liabilities									
Due to central banks	290,906	20,973	48,522	360,401	867,311	1,496,912	2,364,223	9,343	2,733,967
Due to banks and financial institutions	368,915	5,942	21,978	396,835	126,637	58,876	185,513	1,137	583,485
Due to banks under repurchase agreements	49,559	-	-	49,559	-	-	-	240	49,799
Derivative financial instruments	39,618	2,284	3,556	45,458	9,073	-	9,073	29	54,560
Customers' deposits	23,456,547	2,768,239	1,825,060	28,049,846	219,183	21,326	240,509	810,583	29,100,938
Deposits from related parties	58,779	1,702	739	61,220	55,127	-	55,127	3	116,350
Debt issued & other borrowed funds	35,165	-	226,125	261,290	125,124	415,028	540,152	22,001	823,443
Lease liabilities	343	690	3,600	4,633	14,053	7,011	21,064	-	25,697
Total liabilities	**24,299,832**	**2,799,830**	**2,129,580**	**29,229,242**	**1,416,508**	**1,999,153**	**3,415,661**	**843,336**	**33,488,239**
Interest rate sensitivity gap	**(16,241,420)**	**(889,469)**	**2,310,850**		**4,891,599**	**5,185,957**			
Cumulative gap	**(16,241,420)**	**(17,130,889)**	**(14,820,039)**		**(9,928,440)**	**(4,742,483)**			

	2021								
	Up to 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million	Total Less than 1 Year LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total More than 1 Year LBP Million	Non-interest Bearing LBP Million	Total LBP Million
Assets									
Cash and balances with central banks	6,182,098	407,953	1,692,902	8,282,953	2,438,732	6,981,942	9,420,674	1,213,955	18,917,582
Due from banks and financial institutions	2,652,931	15,471	3,057	2,671,459	13	-	13	9,202	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	6,108	33,548	68,985	108,641	11,643	-	11,643	7,593	127,877
Derivative financial instruments	105,734	56,635	92,897	255,266	17,252	14,376	31,628	173	287,067
Financial assets at fair value through profit or loss	111,447	2,633	3	114,083	41	978	1,019	45,936	161,038
Loans and advances to customers at amortised cost	2,508,525	1,238,953	1,252,336	4,999,814	1,292,591	645,912	1,938,503	140,810	7,079,127
Loans and advances to related parties at amortised cost	3,883	93	4,175	8,151	59,509	2,653	62,162	172	70,485
Financial assets at amortised cost	820,730	52,768	96,709	970,207	3,226,877	2,962,468	6,189,345	125,357	7,284,909
Financial assets at fair value through other comprehensive income	20,349	60,942	214,346	295,637	634,176	191,493	825,669	43,574	1,164,880
Total assets	12,411,805	1,868,996	3,425,410	17,706,211	7,680,834	10,799,822	18,480,656	1,586,772	37,773,639
Liabilities									
Due to central banks	256,894	23,258	54,786	334,938	1,019,823	2,176,553	3,196,376	13,149	3,544,463
Due to banks and financial institutions	158,747	46,604	68,601	273,952	191,253	72,028	263,281	37,766	574,999
Due to banks under repurchase agreements	38,286	-	-	38,286	-	-	-	324	38,610
Derivative financial instruments	50,611	33,549	34,047	118,207	52,148	146,693	198,841	13,776	330,824
Customers' deposits	24,460,790	1,990,640	2,095,288	28,546,718	620,466	27,216	647,682	961,993	30,156,393
Deposits from related parties	69,146	1,733	15,453	86,332	59,142	-	59,142	20	145,494
Debt issued & other borrowed funds	-	-	226,125	226,125	522,695	414,727	937,422	68,724	1,232,271
Lease liabilities	634	36	866	1,536	11,265	15,687	26,952	-	28,488
Total liabilities	**25,035,108**	**2,095,820**	**2,495,166**	**29,626,094**	**2,476,792**	**2,852,904**	**5,329,696**	**1,095,752**	36,051,542
Interest rate sensitivity gap	**(12,623,303)**	**(226,824)**	**930,244**		**5,204,042**	**7,946,918**			
Cumulative gap	**(12,623,303)**	**(12,850,127)**	**(11,919,883)**		**(6,715,841)**	**1,231,077**			

Prepayment Risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected. This is applicable for example on fixed rate loans when market interest rates fall.

In Lebanon and following the severe devaluation of the local currency in the parallel market and prevalence of multiple exchange rates, prepayment activities on the lending portfolio have accelerated during the course of 2021 and 2022. However in view of the quasi-absence of any local interest rate benchmarks due to the crisis and given that the Bank in Lebanon prioritising the implementation of a de-risking strategy (with the aim of alleviating pressure on credit asset quality), the Group considers the impact of prepayment risk resulting from these transactions to be benign.

Outside Lebanon, market risks that lead to prepayments are not material with respect to the countries where the Group operates. Accordingly, the Group considers the impact of prepayment risk on net profits to be not material after considering any penalty fees received on prepayment activities, when existing.

Equity Price Risk

Equity price risk is the risk that the value of a portfolio will fall as a result of a change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies/maturities) in which the Group holds equity-related positions.

Given the very low risk appetite of the Group for such type of risk exposure, the Group sets tight limits on equity exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk is measured in first cash terms, such as the market value of a stock/index position, and also in price sensitivities, such as sensitivity of the value of a portfolio to changes in the underlying asset price. These measures are applied to an individual position and/or to a portfolio of equities.

55.0. Liquidity Risk

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The Group manages liquidity at each entity level independently while keeping oversight of intra-group dependencies, when existing. The Group recognizes that its ability to meet its liquidity requirements, including international commitments, may come under increasing pressure under a deteriorating operating environment. Following October 2019 events, the Bank's international liquidity in Lebanon was subject to an unprecedented pressure, which led Management to implement a series of remedial measures to mitigate this risk.

The following outlines the monitoring process that takes place at the entity level including some activities that are more relevant to the Lebanese operations.

Monitoring Process

Daily

Due to the ongoing economic and financial crisis in Lebanon, Management focused its efforts on the monitoring of international liquidity coverage relative to international commitments, including external account deposits.

To support this activity, the Treasury function monitors and reports daily and intra-day inflows and outflows for major currencies and ensures that funding gaps are met.

Weekly

The Market Risk function prepares a weekly report on international liquid exposures showing the changes in the position compared to the previous period, in addition to the liquidity position for other major currencies.

Monthly

The Market Risk function submits a monthly ALM report to ALCO showing changes in the liquidity position including future flows, as well as the coverage level relative to international commitments.

Quarterly

The Board of Directors is informed of compliance with internal and regulatory liquidity ratios for each banking unit on at least a quarterly basis.

Periodic

The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and market-wide crises. The stress scenarios are applied to both on-balance sheet and off-balance sheet commitments to provide a comprehensive view of potential cash outflows.

Moreover, stress testing is carried out annually for all material banking units of the Group as part of the ICAAP preparation and submission. Scenarios used in these stress tests vary between entities to reflect their local market operating environments. Scenarios may include, among others, the following assumptions:

- Significant withdrawals of foreign currency deposits.
- Significant withdrawals of undrawn and committed credit lines.
- Significant haircut on liquid assets.
- Erosion of wholesale (interbank) funding.
- Significant reduction in assets that are eligible as collateral in the refinancing operations.

Furthermore, the Group has put in place policies and measures for monitoring and managing liquidity risk. These include setting up remedial actions to be taken in response to potential liquidity stress events. Among these policies is the Asset Liability Management (ALM) Risk Policy which is reviewed by ALCO and submitted to the Board Risk Committee for review.

Liquidity Ratios

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general, and specifically to the Group. In Lebanon and since October 2019 events, the Group monitors on a regular basis the ratio of available international foreign currency liquidity to international commitments over various time horizons.

The Central Bank of Lebanon, through its Basic Circular 154 dated 27 August 2020, issued various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these requirements, Lebanese banks were requested to maintain total current account balance with foreign correspondent banks (international liquidity that is free of any obligation) in excess of 3% of the Bank's total foreign currency deposits as at 31 July 2020 (which was later amended to foreign currency deposits balance as 30 September 2022). On 24 December 2020, the Banking Control Commission of Lebanon issued memo 18/2020 that contains guidance for the calculation of this ratio.

Sources of Funding

Customers' deposits were the main funding source of the Group as at 31 December 2022 and 2021. The distribution of sources and the maturity of deposits are actively monitored in order to avoid high concentration of deposits by maturity and size. The Group monitors the percentage of core deposits versus total deposits and aims to ensure that this percentage is maintained at a high level.

The Group stresses the importance of customers' deposits as source of funds to finance its lending activities. This is monitored by using the advances to deposits ratio which compares loans and advances to customers as a percentage of clients' deposits.

	LBP		Foreign Currencies	
	2022 %	2021 %	**2022 %**	2021 %
Year-end	32	45	18	20
Maximum	44	49	20	25
Minimum	31	43	18	20
Average	37	46	19	23

Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the Group's financial liabilities as of 31 December based on contractual undiscounted cash flows. The contractual maturities were determined based on the period remaining to reach maturity as per the statement of financial position's actual commitments. Repayments which are subject to notice are treated as if notice were to be given immediately.

	2022					
	Less than 1 Month LBP Million	1 to 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	**Total LBP Million**
Financial liabilities						
Due to central banks	301,468	13,038	99,911	1,038,335	1,516,938	2,969,690
Due to banks and financial institutions	375,185	1,113	33,197	115,666	58,876	584,037
Due to banks under repurchase agreements	49,799	-	-	-	-	49,799
Derivative financial instruments	3,491	1,402	5,309	32,031	12,328	54,561
Customers' deposits	24,247,104	2,785,466	1,886,382	245,174	26,783	29,190,909
Deposits from related parties	58,837	1,702	740	55,127	-	116,406
Debt issued and other borrowed funds	6,153	-	40,959	425,127	463,424	935,663
Engagements by acceptances	2,100	2,937	1,596	-	422	7,055
Lease liabilities	343	690	3,600	14,053	7,011	25,697
Total financial liabilities	**25,044,480**	**2,806,348**	**2,071,694**	**1,925,513**	**2,085,782**	**33,933,817**

	2021					
	Less than 1 Month LBP Million	1 to 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total LBP Million
Financial liabilities						
Due to central banks	265,069	36,837	115,354	1,229,886	2,238,975	3,886,121
Due to banks and financial institutions	210,252	20,753	70,617	202,509	71,608	575,739
Due to banks under repurchase agreements	38,610	-	-	-	-	38,610
Derivative financial instruments	50,752	47,184	34,047	52,148	146,693	330,824
Customers' deposits	25,320,128	2,012,413	2,256,152	759,229	47,860	30,395,782
Deposits from related parties	69,614	1,733	15,940	59,143	-	146,430
Debt issued and other borrowed funds	53,995	-	47,445	819,538	427,895	1,348,873
Engagements by acceptances	15,248	31,542	8,839	-	262	55,891
Lease liabilities	634	36	866	11,265	15,687	28,488
Total financial liabilities	26,024,302	2,150,498	2,549,260	3,133,718	2,948,980	36,806,758

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	2022				
	Less than 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	More than 5 Years LBP Million	**Total LBP Million**
Financial guarantees	231,678	8,492	9,403	3,794	253,367
Other guarantees	258,632	398,334	16,539	14,970	688,475
Documentary credits	96,868	97,001	-	-	193,869
Loan commitments	2,263,708	8,998	7,201	-	2,279,907
	2,850,886	**512,825**	**33,143**	**18,764**	**3,415,618**

	2021				
	Less than 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	More than 5 Years LBP Million	Total LBP Million
Financial guarantees	264,585	21,758	15,163	5,008	306,514
Other guarantees	391,022	269,657	33,236	15,845	709,760
Documentary credits	169,472	83,645	1,112	-	254,229
Loan commitments	2,740,948	3,022	16,456	4,793	2,765,219
	3,566,027	378,082	65,967	25,646	4,035,722

Maturity Analysis of Assets and Liabilities

The table below summarises the maturity profile of the Group's assets and liabilities.

The maturity profile of the assets and liabilities at 31 December 2022 is as follows:

	Less than 1 Year LBP Million	More than 1 Year LBP Million	**Total LBP Million**
Assets			
Cash and balances with central banks	6,711,666	7,592,888	14,304,554
Due from banks and financial institutions	3,016,766	-	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	210,915	5,482	216,397
Derivative financial instruments	71,353	47,790	119,143
Financial assets at fair value through profit or loss	207,066	49,679	256,745
Loans and advances to customers at amortised cost	3,344,012	2,527,108	5,871,120
Loans and advances to related parties at amortised cost	1,704	62,771	64,475
Debtors by acceptances	6,633	422	7,055
Financial assets at amortised cost	2,943,805	4,111,651	7,055,456
Financial assets at fair value through other comprehensive income	234,354	797,487	1,031,841
Investments in associates	-	14,359	14,359
Property and equipment and right-of-use assets	-	7,646,768	7,646,768
Intangible assets	-	60,777	60,777
Assets obtained in settlement of debt	-	163,400	163,400
Other assets	581,794	80,664	662,458
Deferred tax assets	-	57,195	57,195
Goodwill	-	42,442	42,442
Total assets	**17,330,068**	**23,260,883**	**40,590,951**
Liabilities and shareholders' equity			
Due to central banks	369,731	2,364,236	2,733,967
Due to banks and financial institutions	408,944	174,541	583,485
Due to banks under repurchase agreements	49,799	-	49,799
Derivative financial instruments	10,202	44,358	54,560
Customers' deposits	28,857,429	243,509	29,100,938
Deposits from related parties	61,223	55,127	116,350
Debt issued and other borrowed funds	6,769	816,674	823,443
Engagements by acceptances	6,633	422	7,055
Other liabilities	284,286	121,535	405,821
Current tax liability	28,996	-	28,996
Deferred tax liabilities	-	100,297	100,297
Provision for risks and charges	-	530,898	530,898
Shareholders' equity	-	6,055,342	6,055,342
Total liabilities and shareholders' equity	**30,084,012**	**10,506,939**	**40,590,951**

The maturity profile of the assets and liabilities at 31 December 2021 is as follows:

	Less than 1 Year LBP Million	More than 1 Year LBP Million	Total LBP Million
Assets			
Cash and balances with central banks	9,406,414	9,511,168	18,917,582
Due from banks and financial institutions	2,680,674	-	2,680,674
Loans to banks and financial institutions and reverse repurchase agreements	116,078	11,799	127,877
Derivative financial instruments	216,843	70,224	287,067
Financial assets at fair value through profit or loss	114,415	46,623	161,038
Loans and advances to customers at amortised cost	3,555,984	3,523,143	7,079,127
Loans and advances to related parties at amortised cost	2,563	67,922	70,485
Debtors by acceptances	55,629	262	55,891
Financial assets at amortised cost	993,093	6,291,816	7,284,909
Financial assets at fair value through other comprehensive income	296,226	868,654	1,164,880
Investments in associates	-	14,581	14,581
Property and equipment and right-of-use assets	-	589,211	589,211
Intangible assets	-	65,876	65,876
Assets obtained in settlement of debt	-	131,662	131,662
Other assets	553,085	1,211,531	1,764,616
Deferred tax assets	-	48,552	48,552
Goodwill	-	42,419	42,419
Total assets	17,991,004	22,495,443	40,486,447
Liabilities and shareholders’ equity			
Due to central banks	348,071	3,196,392	3,544,463
Due to banks and financial institutions	300,899	274,100	574,999
Due to banks under repurchase agreements	38,610	-	38,610
Derivative financial instruments	131,984	198,840	330,824
Customers’ deposits	29,504,124	652,269	30,156,393
Deposits from related parties	86,352	59,142	145,494
Debt issued and other borrowed funds	55,556	1,176,715	1,232,271
Engagements by acceptances	55,629	262	55,891
Other liabilities	206,218	152,564	358,782
Current tax liability	6,614	-	6,614
Deferred tax liabilities	-	2,356	2,356
Provision for risks and charges	-	283,557	283,557
Shareholders’ equity	-	3,756,193	3,756,193
Total liabilities and shareholders’ equity	30,734,057	9,752,390	40,486,447

56.0. Operational Risk

Operational risk, Information and Cyber Security risk as well as Business Disruption risk are administered by an independent function reporting to the Group Chief Risk Officer.

Operational and other Non-Financial risks are managed across the Group based on a set of principles and standards detailed in the Board-approved Group Operational Risk Policy and the Corporate Information Security Policy. These principles and standards include at a minimum: redundancy of mission-critical systems, segregation of duties, least-privilege principle, four-eyes principle, independency of employees performing controls, reconciliations, mandatory vacations, awareness and training. Controls are also embedded within systems and formalised in policies and procedures.

Incidents are captured and analysed to identify their root causes. Corrective and preventive measures are recommended to prevent future reoccurrences. Risk and Control Assessments (RCAs) are conducted to identify outstanding risk exposures and control vulnerabilities associated with existing or new products, processes, activities and systems. Key Risk Indicators (KRIs) are also developed continuously to detect breaches and alarming trends. Recommendations to improve the control environment are communicated to concerned parties and issues are escalated to Management as deemed necessary.

Following October 2019 events, the Bank has been subject to an increased compliance risk pressure as a result of the considerable number of regulatory circulars and memos issued since that date (more than 100 BdL circulars and announcements, BCC memos, and CMA announcements were published during 2021 and 2022). These regulatory requirements, in addition to changes in the operating environment, have necessitated rapid system developments/updates and implementation of new processes, which also required adequate training to employees.

To ensure the continuity and timely resumption of critical business activities due to the potential risk of system disruptions or other unforeseen events, the Bank has been continuously maintaining a world-class business continuity and disaster recovery site that was awarded the Tier 4 – Fault Tolerant Certification of Design Documents and Constructed Facility. A Business Continuity Plan (BCP) was also developed and is being kept up-to-date to minimise the risk of interruption of critical operations in case of an adverse event.

The Bank is also abreast of latest cybersecurity threats, countermeasures, technologies and tools, and is continuously implementing technical and non-technical measures to strengthen its cyber resilience posture. External expert support is sought when needed.

Major incidents, RCA findings, KRIs, business continuity actions and, information and cybersecurity activities are reported to the Executive Committee, Board Group Risk Committee, and Board of Directors periodically.

Insurances coverage (including cybercrime insurance) is used as an additional layer of mitigation and is commensurate with the Group business activities, in terms of volume, nature and operating environment.

57.0. Litigation Risk

Since 17 October 2019, the Group has been subject to an increased litigations in Lebanon and abroad, as a result of the restrictive measures adopted by Lebanese banks in relation to the withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these existing litigations and claims against the Group in relation to these restrictive measures. There are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers during 2021 and 2022 in Lebanon and abroad, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch (refer to Note 54 – Currency Risk). The amount cannot be determined presently. At the balance sheet date, shares owned by the Bank in certain local and foreign subsidiaries were placed under seizure, by court orders in relation to litigations raised by customers for the transfer of funds abroad. Also, amounts held by the Bank at foreign correspondent banks, especially in France, are being subject to conservatory seizures, (Note 17).

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

In addition, the Group may, from time to time, become involved in other legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal claims against the Group (Note 49).

58.0. 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.

59.0. 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, Intermediate Circular 649, issued on 24 November 2022, Intermediate Circular 659, issued on 21 January 2023 introduced several key changes to the calculation of regulatory capital adequacy ratios.

These changes include:

- Raising the regulatory expected credit loss level for Lebanese government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45% initially and then again to 75% (the latter level to be reached by 31 December 2026). Regulatory ECL for other exposures remain unchanged. These levels remained applicable in 2022.

	2022	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	75%	45%
Lebanese government securities in Lebanese Pounds	0%	0%

The Group is gradually recording expected credit losses on Lebanese government securities in foreign currency to reach the loss rate of 75% by 31 December 2026 as permissible by the circular. The remaining balance of LBP 107,433 million will be amortised in the coming three years.

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

- Inclusion of 50% (2021: 100%) of revaluations gain of owned real estate properties (excluding ones acquired in settlement of bad debt as per Article 154 of the Code of Money & Credit) in Common Equity Tier 1, instead of 50% of this gain in Tier 2, as was the case previously. The regulatory deadline for completing the reappraisal process for such properties was set on 31 December 2023 (2021: reappraisal process set on 31 December 2021). During 2022, the Group revalued real estate properties and recorded a revaluation gain of LBP 7,077,786 million at "Sayrafa" exchange rate of LBP 38,000 to the US Dollar in accordance with Intermediary Circular 659. As a result, CET 1 increased by LBP 3,223,814 million at 31 December 2022 compared to 31 December 2021.

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

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

- Exceptionally for 2020 and 2021, allowing banks to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortised over a period of 3 years starting 2022 and ending in 2024 by 25% yearly. Amounts included as at 31 December 2022 were LBP 156,772 million (2021: LBP 564,966 million).

- Exceptionally for 2022 and 2023, allowing banks to include under CET 1 part of the losses resulting from the purchase of local dollars from the Central Bank of Lebanon against Lebanese Pound for the purpose of reducing their net FX short positions prior to 17 November 2022. In 2022, 66% of these losses can be included under CET 1, while in 2023, a maximum of 33% level applies. Amounts included as at 31 December 2022 under CET 1 were LBP 681,323 million (2021: nil).

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
31 December 2022			
Minimum required capital ratios (including 0.75% applicable capital conservation buffer)	**5.25%**	**6.75%**	**8.75%**
With the full capital conservation buffer of 2.5% (applicable in 2024)	**7.00%**	**8.50%**	**10.50%**
31 December 2021			
Minimum required capital ratios	4.50%	6.00%	8.00%
With the full capital conservation buffer of 2.5% (applicable in 2024)	7.00%	8.50%	10.50%

	2022 LBP Million	2021 LBP Million
Risk-weighted assets:		
Credit risk	34,953,151	28,552,147
Market risk	581,987	2,278,639
Operational risk	506,936	1,587,306
Total risk-weighted assets	36,042,074	32,418,092

The regulatory capital including net loss for the year as of 31 December is as follows:

	2022 LBP Million	2021 LBP Million
Tier 1 capital	3,192,755	4,178,251
Of which: Common Tier 1	*2,280,036*	*3,255,148*
Tier 2 capital	341,950	527,286
Total capital	3,534,705	4,705,537

The capital adequacy ratio including net loss for the year as of 31 December is as follows:

	2022	2021
Capital adequacy – Common Tier 1	6.33%	10.04%
Capital adequacy – Tier 1	8.86%	12.89%
Capital adequacy – Total capital	9.81%	14.52%

The capital adequacy ratios as at 31 December 2022 and 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 "Sayrafa" rate and the official published exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, Management is unable to estimate in a reasonable manner the impact of these matters on the Group's capital adequacy.

Management has concerns about the effects that the above matters will have on the capital of the Group and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded. In particular as a first step, the needs and implications that might result from the accounting for the subsequent change in the official published exchange rate. Based on the Group's assessment of the impact of the application of the new official exchange rate as at 31 March 2023 and based on the existing guidelines provided by the regulator, consolidated capital adequacy ratios stood at 6.13%, 6.50% and 7.81% for CET1, Tier 1 and Total CAR respectively. Management is awaiting guidance from the regulator for the treatment of the effects of the application of the new official published exchange rate on its capital ratios.

60.0. Subsequent Events

Effective 1 February 2023, the official published exchange rate was changed from LBP 1,507.5 to the US Dollar to LBP 15,000 to the US Dollar. As a result, with all other variables held constant, the Group determined that this change resulted in a positive effect on its income statement from the financial assets and financial liabilities of entities operating in Lebanon, that have the Lebanese Pound as a functional currency and a positive effect on its equity from its subsidiaries that have a functional currency other than the Lebanese Pound. However, this change will negatively impact the capital adequacy ratios of the Group from translation of FCY-denominated risk-weighted assets as detailed in Note 59 above.

04

MANAGEMENT

1.0. Group and Bank Audi sal Management

Lebanon

Chairman & CEO

Mr. Samir N. HANNA	Chairman of the Board of Directors & Group Chief Executive Officer

Group Executive Committee

Voting Members

Mr. Khalil I. DEBS *(Co-chair)*	Deputy Group Chief Executive Officer
Mr. Tamer M. GHAZALEH *(Co-chair)*	Deputy Group Chief Executive Officer
Mr. Michel E. ARAMOUNI	Chief Capital Markets Officer
Mr. Mouayed C. MAKHLOUF	Head of International Division
Mr. Hassan A. SALEH	Chief Operating Officer

Non-voting Members

Mr. Elias L. ABOUSLEIMAN	Group Chief Risk Officer

Secretary

Dr. Farid F. LAHOUD	Group Chief Compliance Officer & Corporate Secretary

Central Departments

Mrs. Marion E. ABOU-JAOUDE	Head of Marketing & Communications
Mrs. Carol J. AYAT	Head of Large Corporates & Specialised Lending
Dr. Marwan S.BARAKAT	Group Chief Economist & Head of Research
Mr. Mohamad G. BAYDOUN	Head of Corporate & Commercial Banking
Mrs. Peggy S. BAZ	Head of Legal
Mrs. Grace E. EID	Head of Retail Banking
Mr. Mahmoud A. KURDY	Group Chief Financial Officer
Mrs. Nayiri H. MANOUKIAN	Head of Human Resources
Mr. Antoine N. NAJM	Group Chief Credit Officer
Mrs. Rana S. NASSIF	Head of Internal Audit
Mr. Fady A. OBEID	Assistant Chief Operating Officer – IT and Operations
Mr. Habib M. SAYDE	Head of Administrative
Mr. Bechara E. SERHAL	Head of Treasury

Branches Network

Mr. Rabih E. BERBERY	Network Manager
Mrs. Ghina M. DANDAN	Network Manager
Mr. Kamal S. TABBARA	Network Manager
Mrs. Carol S. ABOU JAOUDE	Regional Manager
Mr. Nagib A. CHEAIB	Regional Manager
Mrs. Elissar A. HALAWI	Regional Manager
Mr. Mohamad M. KALO	Regional Manager
Mr. Fadi V. SAADE	Regional Manager
Mrs. Hilda G. SADEK	Regional Manager

Financial Institutions & Correspondent Banking

Mr. Gabriel A. DROUBY	Group Financial Institutions & Correspondent Banking
	Tel: (961-1) 952405. Fax: (961-1) 989494. E-mail: gabriel.drouby@bankaudi.com.lb

Investor Relations

Ms. Sana M. SABRA	Investor Relations and Media
	Tel: (961-1) 977496. Fax: (961-1) 970404. E-mail: sana.sabra@bankaudi.com.lb

2.0. Entities' Management

2.1. Odea Bank A.Ş.

Turkey

Board of Directors

		Member of the Credit Committee	Member of the Audit Committee	Member of the Risk Committee	Member of the Remuneration Committee	Member of the Corporate Governance Committee
Dr. Imad I. ITANI	Chair				Chair•	
Mr. Tamer M. GHAZALEH	Vice-Chair	Alternate		•	•	
Ms. Oya E. AYDINLIK	Member		Chair •			
Dr. Ayse Botan M. BERKER	Member			Chair •		
Mr. Khalil I. DEBS	Member	•				
Me. Chahdan E. JEBEYLI	Member					Chair •
Dr. Farid F. LAHOUD	Member		•			
Mr. Mouayed C. MAKHLOUF	Member		•	•		•
Mr. Antoine N. NAJM	Member	•				
Mrs. Ebru M. OGAN KNOTTNERUS	Member	Alternate		•	•	
Mr. Hilmi S. GUVENAL	Member					
Dr. Mert R. ONCU	Member	Chair•				

Senior Management

Dr. Mert R. ONCU	General Manager – Board Member
Mr. Yalcin F. AVCI	Deputy General Manager – Assistant General Manager – Commercial Banking
Mr. Mehmet Gokmen C. UCAR	Deputy General Manager – Assistant General Manager – CFO/Finance, Financial Control and Strategy
Mr. Emir Kadir F. ALPAY	Assistant General Manager – Treasury, Capital Markets and Financial Institutions
Mr. Cenk R. DEMIROZ	Assistant General Manager – Credit Allocation
Mr. Huseyin H. GONUL	Assistant General Manager – CRO
Mr. Gurcan G. KIRMIZI	Assistant General Manager – Retail Banking
Mr. Cem A. MURATOGLU	Assistant General Manager – Private Banking
Mr. Sinan Erdem S. OZER	Assistant General Manager – CIOO/Technology and Operations
Mr. Huseyin Cem H. TANER	Assistant General Manager – Credit Monitoring, Remedial and Recovery
Mrs. Ebru M. VARDAR	Assistant General Manager – Human Resources

2.2. BAPB Holding Limited

Cyprus

Board of Directors

Mr. Marc J. AUDI	Member
Mr. Khalil I. DEBS	Member
Mr. Tamer M. GHAZALEH	Member
Mr. Alkis I. KAILOS	Member
Dr. Farid F. LAHOUD	Member
Mr. Georgios A. MICHAEL	Member
Mr. Philippe R. SEDNAOUI *(until December 2022)*	Member
Alter Domus Services Limited	Company Secretary

2.2.1. Banque Audi (Suisse) SA
Switzerland

Board of Directors

		Member of the Audit Committee	Member of the Remuneration Committee
Mr. Marc J. AUDI	Chairman *(since March 2023)*		•
Mrs. Simona G. TERRANOVA	Vice-Chairman *(since March 2023)*	Chair•	
Mr. Philippe R. SEDNAOUI *(until March 2023)*	Chairman *(until March 2023)*		
Mr. Michel A. CARTILLIER *(until March 2023)*	Vice-Chairman *(until March 2023)*		
Mr. Khalil I. DEBS	Member		Chair•
Mr. Christoph J. DE WECK	Member	•	
Mr. Eric J. HESS	Member	•	
Mr. Jean-Pierre R. JACQUEMOUD	Member		•
Dr. Farid F. LAHOUD *(since March 2023)*	Member		
Mr. François P. TOBLER	Member		

Management

Mr. Ragi J. BOUSTANY	General Manager
Mr. Jean-Marc S. CODORELLO	Head of Business Management
Mrs. Mireille L. GAVARD	Head of Legal
Mr. Ian Gregor G. MACINTOSH	Chief Investment Officer
Mr. Christian T. MEYER	Head of Compliance
Mr. Youssef H. NIZAM	Head of Private Banking
Mr. Gregory K. SATNARINE	Chief Financial Officer/Chief Operating Officer

2.2.2. Audi Capital (KSA) cjsc
Kingdom of Saudi Arabia

Board of Directors

		Member of the Audit Committee	Member of the Nomination & Remuneration Committee
Mr. Abdullah I. AL HOBAYB	Chairman		Chair•
Mr. Philippe R. SEDNAOUI *(until December 2022)*	Vice-Chairman – Member		•
Mr. Chahdan E. JEBEYLI	Member	Chair•	
Mr. Youssef H. NIZAM	Member		•
Dr. Asem T. ARAB	Independent member	•	
Dr. Khalil A. KORDI	Independent member	•	

Management

Mr. Abdulaziz A. AL GHUNEIM	CEO & Head of Wealth Management
Mr. Tony G. ABOU FAYSSAL	CFO
Mr. Mohammed I. Al ZABEN	Head of Asset Management

2.3. Other Entities

2.3.1. Bank Audi LLC
Qatar

Board of Directors

		Member of the Executive Credit Committee	Member of the Audit & Risk Committee
Mr. Khalil I. DEBS	Chairman	Chair•	
Mr. Elias L. ABOUSLEIMAN	Member		Chair•
Mr. Rashed Nasser S. AL-KAABI	Member		•
Mrs. Ghina M. DANDAN	Member		•
Mr. Hassan A. SALEH	Member		
Mr. Hani R. ZAOUK	Member		

Management

Mr. Chadi A. JABER	Acting General Manager *(since 15 January 2023)*
Mr. Hani R. ZAOUK	General Manager *(until 15 January 2023)*

2.3.2. Bank Audi France sa
France

Board of Directors

		Member of the Audit & Risk Committee	Member of the Remuneration Committee
Ms. Sherine R. AUDI	Chairman *(since 1 January 2023)*	•	
Mr. Elia S. SAMAHA	Member *(Chairman until 31 December 2022)*		
Mr. Michel E. ARAMOUNI	Member	•	•
Mr. Denis G. GILLET	Member	Chair•	•
Mr. Antoine N. NAJM	Member *(since March 2023)*		
Bank Audi sal *(represented by Mr. Khalil I. DEBS)*	Member		Chair•

Management

Mr. Elia S. SAMAHA	General Manager – Chief Executive Officer *(since 1 January 2023)*
Mrs. Sherine R. AUDI	General Manager – Chief Executive Officer *(until 31 December 2022)*
Mr. Noel J. HAKIM	Deputy General Manager – Chief Business Officer

2.3.3. SOLIFAC sal
Lebanon

Board of Directors

		Member of the Risk & Audit Committee	Member of the ALCO Committee	Member of the Credit Committee	Member of the AML/CFT Committee
Mr. Elie J. KAMAR	Chairman	•			Chair•
Mr. Tamer M. GHAZALEH	Member	Chair•	Chair•	Chair•	
Mr. Mohamad G. BAYDOUN	Member	•		•	
Mr. Karl A. HADDAD	Member	•		•	
Mr. Antoine G. MEOUCHY	Member	•	•		•

Management

Mrs. Lina F. SALEM	Chief Executive Officer	•	•	•	

05

ADDRESSES

1.0. Lebanon

Bank Audi sal

Member of the Association of Banks in Lebanon
Capital: LBP 992,878,257,468 *(as at December 2022)*
Consolidated shareholders' equity:
LBP 6,055,342,250,509 *(as at December 2022)*
C.R. 11347 Beirut
List of Banks No. 56

Headquarters

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

Branches

CORPORATE BRANCHES

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

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

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

BEIRUT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MOUNT LEBANON

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NORTH

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

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

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

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

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

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

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

SOUTH

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

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

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

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

SAIDA – RIAD EL-SOLH
Wakf El-Roum Catholic Bldg., Riad El-Solh Blvd.
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Senior Branch Manager: Mr. Mohamad M. Bizri

SAIDA – SOUTH
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TYRE
Abou Saleh & Moughnieh Bldg., Main Road.
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Branch Manager: Ms. Lara Z. Yazbeck

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

BEKAA

SHTAURA
Daher Bldg., Main Road.
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Branch Manager: Ms. Zeina H. Hajj

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

NOVO NETWORK

PALLADIUM DOWNTOWN
Bank Audi Palladium Bldg., Bab Idriss.

ZGHARTA
North Palace Hotel, Kfarhata.

ABC VERDUN MALL
Verdun.

SOLIFAC sal

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

2.0. Turkey

ODEA BANK A.Ş.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KARTAL
No. 2, Sehzade Street, Kordonboyu District,
Kartal, Istanbul.
Tel: (90-216) 5865300. Fax: (90-212) 3481895.
Branch Manager: Mr . Mehmet P. Sakalli (Retail)

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

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

UMRANIYE
No. 50/52 A, Alemdag Avenue, Ataturk District,
Umraniye, Istanbul.
Tel: (90-216) 6491200. Fax: (90-212) 3481901.
Branch Manager: Mr. Memet Emin N. Kaya (Retail)

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

ALTINTEPE
No. 93/A, Bagdat Street, Altintepe District,
Maltepe, Istanbul.
Tel: (90-216) 5872800. Fax: (90-212) 3481915.
Branch Manager: Ms. Esin B. Unlu (Retail)

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Bakirkoy, Istanbul.
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Branch Manager: Mr. Ersin R. Evcimen (Retail)

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

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Sariyer, Istanbul.
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Branch Manager: Mr. Aykut S. Mangaloglu (Retail)

ANKARA

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

GOP
No. 16, Ugur Mumcu Street, Kazim Ozalp District,
Cankaya, Ankara.
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Branch Managers: Ms. Deniz F. Omay (Retail);
Ms. Filiz A. Yukselen (Commercial)

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

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Cankaya, Ankara.
Tel: (90-312) 2917300. Fax: (90-212) 3481912.
Branch Manager: Ms. Ayşe U. Orun (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)

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

GEBZE
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Gebze, Kocaeli.
Tel: (90-262) 6742400. Fax: (90-212) 3481873.
Branch Managers: Ms. Nuran S. Yuksel (Retail);
Mr. Hakki Murat S. Onlem (Commercial)

IZMIT CARSI
No. 104, Cumhuriyet Street, Izmit, Kocaeli.
Tel: (90-262) 2812500. Fax: (90-212) 3481889.
Branch Manager: Ms. Nur Esin A. Keles (Retail)

BURSA

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

GAZIANTEP

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

ADANA

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

KAYSERI

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

DENIZLI

DENIZLI
No. 2, M. Korkut Street, Saltak Avenue, Merkez Denizli.
Tel: (90-258) 2952000. Fax: (90-212) 3481883.
Branch Managers: Ms. Aliye Ozlem M. Ozkok (Retail);
Ms. Ebru H. Cakir (Commercial)

KONYA

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

ANTALYA

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

MUGLA

BODRUM
No. 12, Hasan Resat Oncu Street, Bodrum, Mugla.
Tel: (90-252) 3115000. Fax: (90-212) 3481881.
Branch Manager: Ms. Asli O. Yilmaz (Retail)

ESKISEHIR

ESKISEHIR
No. 13/E, Ismet Inonu Avenue, Hosnudiye District,
Tepebasi, Eskisehir.
Tel: (90-222) 2131000. Fax: (90-212) 3481891.

MERSIN

MERSIN
No. 20/A, Kuvai Milliye Avenue, Camiserif District,
Akdeniz, Mersin.
Tel: (90-324) 2418300. Fax: (90-212) 3481882.
Branch Managers: Ms. Pinar E. Asal (Retail);
Mr. Azmi S.Vurucu (Commercial)

HATAY

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

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

SAMSUN

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

3.0. Cyprus

BAPB HOLDING LIMITED

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4.0. Switzerland

BANQUE AUDI (SUISSE) SA

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5.0. Saudi Arabia

AUDI CAPITAL (KSA) cjsc

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6.0. Qatar

BANK AUDI LLC

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7.0. France

BANK AUDI FRANCE sa

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