Bank Audi

# INTERIM FINANCIAL **REPORT**

END-SEPTEMBER 2021
(Unaudited)

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# MANAGEMENT DISCUSSION & ANALYSIS

## 1.0. BASIS OF PRESENTATION

The following discussion and analysis has been prepared by the Bank's Management based upon the Interim Financial Statements which are included in the following section of this report. The selected financial and operating data set forth below has been subject to rounding, extracted without material adjustment from the Interim Financial Statements. It should be read in conjunction with, and is qualified in its entirety, by the 2020 Annual Report and the Interim Financial Statements in the first 9 months of 2021, including the respective notes thereto.

The Bank's Annual and Interim Financial Statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, the general accounting plan for banks in Lebanon, and the regulations of the Central Bank of Lebanon and the BCC. Such Interim Financial Statements include the results of the Bank and its consolidated subsidiaries as listed in Note 2.2 to the enclosed Interim Financial Statements as at end-September 2021.

The Lebanese political, financial and monetary crisis and its massive uncertainties continue to weigh heavily on the operating conditions of banks in Lebanon, translating into a negative economic environment, deepening recession, hyperinflation and a multitude of exchange rates. As per the World Bank, the financial crisis has reached a point where it could be ranked among the world's three worst crises since the mid-1800s. The Crisis is further exacerbated by the woes of the global economies at large and relating to the volatility in the COVID-19 pandemic, evolving from consecutive lockdowns to relaxing bans, only to face now a resurgence in the number of cases amid the emergence of new COVID-19 strains worldwide, while vaccination levels remain suboptimal. Within this environment, the persisting absence of a clear resolution roadmap for the Lebanese Crisis continues to prevent Management from estimating in a true and fair manner, and as per IFRS, the adverse impact of those matters on the Bank's financial position and equity, which it anticipates to be material. In particular, Management wishes to draw attention to the following key points that carry significant uncertainties with potential material impact on the future financial position of the Bank:

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

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

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

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

- Management has concerns about the effects that the above matters will have on the equity of the Group and the recapitalisation needs that will arise once the necessary adjustments are determined and recorded (please refer to the Bank's 2020 Annual Report for further details).

Based on the above, the external auditors expressed an adverse opinion on the 2020 financial statements.

As per regulatory requirements, the Bank maintains its accounts in Lebanese Pounds (LBP). Nonetheless, all figures presented in the following MD&A are expressed in US Dollars ("USD"), unless specifically otherwise stated. The difficulty in accessing foreign currencies has led to the emergence of a parallel market to the official rate of 1,507.5 LBP/USD which deviates significantly from the latter. Also, since April 2020, the Central Bank of Lebanon introduced several rates to be used only in specific circumstances, namely (i) 3,900 USD/LBP as per BdL BC 151, (ii) 12,000 LBP/USD as per BdL BC 158, and (iii) the "Sayrafa" platform rate. For the purpose of this discussion, US Dollar amounts are translated from Lebanese Pounds at the closing of the official rate of exchange published by the Central Bank of Lebanon (1,507.5 as of each of 30 September 2020, 31 December 2020, and 30 September 2021), 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. 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.

## 2.0. OPERATING ENVIRONMENT

The third quarter of the year has witnessed a relative breakthrough, with the appointment of a new 24-minister Cabinet of a technocrat nature headed by PM Mikati, with the aim of overlooking parliamentary elections, enacting an IMF program, launching long awaited reforms and acquiring international assistance. While the Cabinet formation represents by itself an important breakthrough, after 13 months of standstill, real challenges continue to persist amid structural weaknesses, large financial imbalances and continuing politico-economic uncertainties.

With respect to the real economy, real GDP is set to contract by 11% in 2021, on the back of a 25% real contraction in 2020. A weak real consumption aggregate is still prevailing (amid the drastic drop in real incomes of households). In parallel, Lebanon is witnessing a quasi-absence of investment, with the investment aggregate at record lows unseen since the civil war. The government spending did not compensate for the lag in private spending given the intense public sector austerity requirements due to fiscal weaknesses.

At the external level, a balance of payments deficit of USD 1.6 billion was reported over the first nine months of 2021, against a deficit of USD 9.6 billion over the same period of last year, suggesting a relatively lower leakage in external accounts when compared to the dramatic drip of last year. This year's balance of payments deficit, calculated as the change in the financial system's net foreign assets over the first nine-month period, comes as a result of a decline in the net foreign assets of BdL of USD 3.7 billion, against a rise in Lebanese banks' net foreign assets of USD 2.1 billion year-to-date. The decline in BdL's net foreign assets, despite September's SDR reception from IMF, is largely attributed to the subsidy policy for basic products, the financing of EdL fuel oil imports and some intervention volumes on the FX market. The increase in banks' net foreign assets is attributed to the rise in banks' liquidity abroad (as a result of banks' compliance with BdL Article 154), in addition to the decline in banks' non-resident deposits.

At the monetary level, BdL FX reserves contracted by USD 5.2 billion in the first 9 months amid FX market intervention and import financing for basic products. By the finalisation of this report, Lebanon had removed most of its subsidies on basic imports, leaving a subsidy bill of less than USD 1 billion, against a bill of circa USD 5 billion over the past year. The country got, on 16 September, USD 1,139 million in SDRs (USD 860 million from 2021 IMF distribution and USD 275 million from 2009 distribution). No conditions for reforms are requested under SDR distribution. This directly led to additional reserves at the Central Bank by the same amount. With respect to inflation, the lifting of subsidies is likely to generate an additional price rise of 125% between June 2021 and December 2021, on top of the 314% inflation reported between June 2019 and June 2021.

At the capital markets level, equity markets did not mirror the economic sluggishness of this year. The BSE price index reported an expansion of 43% in the first nine months, driven mainly by the improvement in Solidere prices which rose by 58% over the period, amid the investor tendency to avoid haircuts on their financial placements. This occurred within the context of a 59% annual increase in trading volume, moving from USD 185 million in the first nine months of 2020 to USD 295 million in the 2021 period.

At the banking sector level, the consolidated balance sheet of banks operating in Lebanon suggests a continuing decline in deposits and loans, though at a less significant pace than the year before. Deposits contracted by USD 6.7 billion over the 2021 first nine-month period (-4.8%), against a contraction of USD 16.7 billion during the 2020 nine-month period (-10.5%). Likewise, loans contracted by USD 6.2 billion year-to-date (-17.1%), against a contraction of USD 11.2 billion during the 2020 nine-month period (-22.4%). In parallel, deposit and loan dollarization continued to move in opposite directions, with the deposit dollarization rate reporting a record high of 80.0% while the loan dollarization rate reported a record low of 58.2% as at end-September 2021.

Banking figures also show that deposit interest rates have recorded new historical lows. The LBP deposit interest rate reported a low of 1.53% in September 2021, against 2.64% at the beginning of the year and a high of 9.40% in November 2019. The USD deposit interest rate reported a low of 0.26% in September 2021, against 0.94% at the beginning of the year and a high of 6.61% in October 2019 at the onset of the Crisis.

In parallel, figures for capital accounts show total shareholders' equity of USD 16.9 billion at end-September 2021, against a total of USD 19.9 billion at end-December 2020. The contraction in equity is tied to losses incurred by banks as a result of noticeable FX costs (rate differential between BdL Circular 151's rate of 3,900 and the official exchange rate of 1,507.5), the effects of mark-ups, the rising operating expenses tied to the surging inflation, in addition to significant provisions to face private and sovereign risks at large.

In sum, it is a pity that when the world in general and our MENA region in particular is recovering from the pandemic contraction of last year to witness healthy positive growth rates this year, Lebanon is witnessing this year another cycle of contraction with corollary financial pressures. The economy has contracted by one third in real terms over a two-year period, resulting in one of the sharpest contractions in GDP per capita worldwide in decades, with huge socio-economic pressures on Lebanese households.

Having said that, the recent formation of the new government gives Lebanon a breath of air. The success of the new Cabinet looking forward depends on the launch of serious structural, fiscal and financial reforms, a full-fledge program with the IMF (with the Fund acting as a watchdog over reform implementation) and the materialisation of international assistance for Lebanon (given the leverage the IMF has over foreign donors at large). In case of an agreement with the IMF, the launch of few serious reforms and securing some international assistance, a return to positive real GDP growth is apt to materialise, benefitting from a low base effect and fully driven by private consumption and investment demand. If Lebanon sees the ratification of an agreement with the IMF, it could pave the way for a material trend reversal for its economy at large and put an end to the huge macro and socioeconomic pressures that were witnessed over the past couple of years.

## 3.0. CONSOLIDATED FINANCIAL CONDITION

The Bank operates principally in Lebanon and, accordingly, its financial condition, results of operations and business prospects are closely related to the overall political, social and economic situation in Lebanon, which has been facing a material crisis with unprecedented challenges. The Group also has operations in Turkey, as well as in Europe and a number of countries in the MENA region. Hence, its operating conditions are also affected by the political and economic developments affecting these jurisdictions, and more specifically Turkey accounting for the largest footprint outside Lebanon. On this backdrop, Management has been actively pursuing a new strategic direction focusing on six "going-concern" pillars and aiming at allowing the Group to navigate through the alternating challenges of the upcoming transitory period featuring the implementation of an economic reform plan for Lebanon and evolving regulatory requirements.

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

1. Strengthening the foreign currency liquidity (liquidity & ALM) – A priority goal which Management endeavored to achieve through the implementation of a number of initiatives, the most material of which was the sale of foreign operations in Egypt, Jordan and Iraq, and the strengthening of its equity base among others, allowing to gradually build up the Bank's liquidity starting from a very low base in May 2020. In doing so, the Bank has been taking into account regulatory requirement updates, most notably BdL Basic Circulars 158 & 159, as well as BCC communication 801/13.

BdL Basic Circular 158 (please refer to Note 1 of the attached financial statements) defines a mechanism for the gradual settlement of foreign currency deposits to customers in the amount capped at USD 50,000 over a period of 5 years. As at 9 November 2021, the number of customers reached 13,411 and their corresponding share of eligible funds amounted to USD 177 million, of which USD 44 million represented the outright payment from the Bank's liquidity position when all payments are settled.

BdL Basic Circular 159, issued in August 2021, prevented Lebanese banks from processing foreign currency funds received from customers whether in the form of cash or through offshore transfers at a value other than their face value, with the exception of transactions pertaining to the settlement of loans. It also prevented banks from purchasing foreign currencies at parallel rates with the exception of the purchased 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, and (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other banks' accounts in foreign currencies whether directly or indirectly.

At the heart of the Bank's foreign currency liquidity lies *the restructuring of senior loans* extended by international Development Financials Institutions (DFIs). Bank Audi, along with a number of Lebanese banks, initiated discussions with senior lenders in October 2020, revolving around a 1 year + 1 year principal deferral on the repayment of the principal while continuing to serve interest payment. In May 2021, in light of the continuing uncertainties of outcome, Management preferred to direct discussions towards a restructuring rather than a deferral, a shift much appreciated by counterparties. The main objective of this restructuring was to: (i) reduce interest charges significantly and (ii) extend the maturity of these facilities to reduce the yearly repayment burden and allow Management to optimise the available free liquidity in foreign currencies. On 13 August 2021, restructuring agreements representing 89% of the Bank's outstanding loan amounts were signed, covering principally an extension of the maturity of each facility by 6 years with zero interest charge and zero restructuring fees. This resulted in a reduction of annual repayments by almost two-thirds with significant interest savings while annihilating any potential legal risk and allowing to sustain healthy and proactive relationships with major DFIs.

As a result, the Bank's level of offshore liquidity free from any obligation to deposits in foreign currencies as at 31 July 2020 increased from 0.93% as at 16 January 2021 to 6.31% as at 30 October 2021 net of fresh payments as per BdL Basic circular 158, largely exceeding the 3% regulatory minimum requirement as per the Central Bank of Lebanon's Basic Circular 154.

2. Reinforcing the capital base (solvency) – to maintain sufficient capital buffers over the minimum regulatory capital adequacy levels.

The outset of the Lebanese crisis led to significant ECL impairments mainly on Lebanese banks' holdings of Eurobonds and the lending portfolio, in parallel to a material increase in risk weights on these exposures, along with long-term exposure to the Central Bank of Lebanon. This significantly impacted the capital adequacy ratio with the Bank's CET1 ratio on witnessing the sharpest decline in history from 11.5% as at end-September 2019 to 6.6% as at end-December 2019.

Within this context, the Central Bank of Lebanon issued Intermediary Circular 567 requesting all banks operating in Lebanon to (i) increase the regulatory capital through contributions in foreign currencies, in an amount equivalent to 20% of the Common Equity Tier 1 as at 31 December 2018; and (ii) to cover the capital shortfall, if any, to meet the new minimum required regulatory capital ratios as determined by the circulars of the Central Bank of Lebanon.

Bank Audi, again through a number of initiatives covering an issuance of common share in the first quarter of 2020, the receipt of dividends from foreign entities and the sale of the Bank's operations in Egypt, Jordan and Iraq, and of its investment in Bank Audi Syria, was able to exceed the requirement of the Central Bank of Lebanon of USD 622 million (representing the required 20% of capital) and raise USD 635 million of which 331 million in fresh dollars. On 7 May 2021, Bank Audi obtained the approval of BdL's Central Council on the 20% capital increase (please refer to Note 1 of the financial statements as at end-September 2021 and the 2020 Annual Report for details).

As at end-September 2021, the consolidated CET1 ratio stood at 10.5% with a Tier 1 ratio of 13.1% and a total capital adequacy ratio of 14.8%, compared to 6.6%, 8.7% and 11.3% respectively as at end-December 2019, within regulatory minima of 4.5%, 6.0% and 8.0% respectively.

3. Asset quality by firming up the de-risking policy with an active loan deleveraging supported by a centralised and specialised remedial function to tightly follow up on loan quality – Management continues to actively sustain its loan deleveraging policy initiated in 2017 with a special focus on Stage 2 loans in order to mitigate the risk of their transfer to Stage 3, increasing collection and proactively allocating provisions. Consolidated gross loans contracted by USD 974 million in the first nine months of 2021 (-13.6%), with Lebanese entities accounting for the largest contribution to this contraction with USD 651 million (19.3%), followed by Odea Bank in Turkey with USD 225 million (8.1%). The contraction of gross loans in Turkey is attributed to an FX effect following the devaluation of the Turkish Lira versus the US Dollar, with gross loans increasing in real terms by 2%.

In parallel, consolidated Stage 2 and Stage 3 loans contracted respectively by -19.7% and -22.2% respectively over the same period, representing a decrease by USD 277 million and USD 244 million respectively. As a result, the share of Stage 2 & 3 loans in gross loans decreased by 1.4% and 1.5% respectively over the same period. Meanwhile, coverage of Stage 3 loans improved from 55.3% as at end-December 2020 to 63.4% as at end-September 2021, hovering around 94% when including real guarantees which were recently valued conservatively. In addition, the Bank has excess provisions earmarked for loans of USD 135 million (USD 105 million as at end-December 2020) that it could use as well.

4. Quality of earning: further rationalising of operating expenses while reinforcing the performance of foreign subsidiaries. Indeed, and due to the severe crisis and ensuing hyperinflationary pressures, Management adopted a cost optimisation policy in Lebanon focusing on: 1) reducing the size of the branch network, 2) relocating employees internally to other branches/services, and 3) facilitating the voluntary departure of staff. 23 branches were temporarily closed in Lebanon from end-September 2019 till end-September 2021, while the head count of Bank Audi Lebanon contracted by 38% over the same period. The related one-time restructuring costs incurred reached USD 32.7 million in the first nine months of 2021.

5. Operational and other non-financial risks: the Bank has been running on crisis management mode to counter the risk arising from the deteriorating economic, political and social environment, as well as from the Beirut Port blast and the COVID-19 pandemic.

6. Governance: the operational consolidation and structure optimisation initiated in 2020 were accompanied by a number of measures aiming at enhancing the group governance framework and further ring-fencing the foreign entities of the Group from the Lebanon risk. These included enhancing the independence of subsidiaries' Boards and adopting additional relevant policies and rules while implementing, in parallel, specific actions including the full margining of the IRS of Odea Bank and the buy-back by Bank Audi Lebanon of the participation held by Bank Audi LLC (Qatar) and Bank Audi France sa in Lebanese loans. The Bank adopted, in particular, an updated policy on related-entity transactions encompassing strict rules for entities to remain ring-fenced from potential future crisis spillovers.







### Activity Analysis

Consolidated assets of Bank Audi stood at USD 28.0 billion as at end-September 2021, compared to USD 35.4 billion as at end-December 2020, i.e. decreasing by USD 7.5 billion in the first nine months of 2021 or 21.1%. Out of this decrease, USD 6.4 billion relates to the deconsolidation of Bank Audi's entities in Jordan, Iraq and Egypt following the completion of their sale, with a remaining real decrease of USD 1.1 billion decrease, stemming principally from Lebanese entities accounting for USD 0.4 billion of the decrease including consolidated adjustments, USD 0.5 billion from Odea Bank with the remainder decrease accounted for by other European subsidiaries.

By way of clarification, as at end-December 2020, and in waiting for the completion of the sale transactions agreed on in 2020, the operations sold mentioned above were then treated as discontinued operations and their financials were not reflected in the line-by-line structure of the Statement of Financial Position. Rather, their assets and liabilities were booked under "assets held for sale" and "liabilities held for sale" respectively (sub captions of "other assets and other liabilities" in the Summarised Statement of Financial Position below). In the Income Statement, the net profits generated by those discontinued operations in the first nine months of 2021 were booked under "results from discontinued operations".

The table below sets out the evolution of the Group's financial position as at end-September 2021 as compared to end-December 2020:

### SUMMARISED STATEMENT OF FINANCIAL POSITION

| (USD Million) | Dec-20 | Sep-21 | Change Sep-21/Dec-20 | Change in % |
|---|---|---|---|---|
| Cash & placements with banks and central banks | 14,540 | 14,386 | -154 | **-1.1%** |
| Portfolio securities | 6,433 | 6,312 | -121 | **-1.9%** |
| Loans to customers | 6,136 | 5,263 | -873 | **-14.2%** |
| Other assets | 7,846 | 1,564 | -6,282 | **-80.1%** |
| Fixed assets | 476 | 439 | -37 | **-7.8%** |
| **Assets= Liabilities + Equity** | 35,431 | **27,963** | -7,468 | **-21.1%** |
| Bank deposits | 3,677 | 2,980 | -697 | **-19.0%** |
| Customers' deposits | 21,528 | 20,842 | -686 | **-3.2%** |
| Subordinated debt | 797 | 809 | 11 | **1.4%** |
| Other liabilities | 6,477 | 600 | -5,877 | **-90.7%** |
| Shareholders' equity (profit included) | 2,951 | 2,732 | -219 | **-7.4%** |
| | | | | |
| AUMs + fid. dep. + cust. acc. | 8,752 | 8,962 | 210 | **2.4%** |
| **Assets + AUMS** | 44,183 | **36,925** | -7,258 | **-16.4%** |

The real contraction of consolidated assets by USD 1.1 billion in the first nine months reveals predominantly a decrease in consolidated deposits by USD 686 million on the funding side (or 3.2%) led mainly by Lebanese entities, met by a decrease in consolidated net loans by 14.2%, underscoring the significant collection efforts undertaken at this level. As at end-September 2021, consolidated customers' deposits reached USD 20.8 billion while consolidated net loans stood at USD 5.3 billion compared to USD 21.6 billion and 6.1 billion respectively as at end-December 2020. The decrease in consolidated customers' deposits in the first nine months of 2021 is totally attributed to Lebanese entities amid a slight increase in entities outside Lebanon, while the former entities account for 34.7% of the decrease in net loans.

A quarter-to-quarter analysis reveals stability in consolidated assets and deposits in the third quarter of 2021 whereby they stood at USD 28.0 billion and USD 20.7 billion as at end-June 2021. In parallel, consolidated net loans continued its contractionary trend, declining in the third quarter of 2021 by USD 307 million following a decrease by USD 567 million registered in the first half of the year.

In parallel, consolidated assets under management moved from USD 8.8 billion as at end-December 2020 to USD 9 million as at end-September 2021, increasing by USD 210 million over the first nine of the period. Subsequently, consolidated assets including fiduciary deposits, security accounts and AuMs aggregated to USD 36.9 billion at end-September 2021, compared to USD 44.2 billion as at end-December 2020 and USD 37.0 billion as at end-June 2021, underscoring a stable evolution over the last quarter.

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-20 | Sep-21 | Change | Dec-20 | Sep-21 | Change | Dec-20 | Sep-21 | Change |
| By region | | | | | | | | | |
| Lebanon | 56.2% | 69.8% | 13.6% | 71.6% | 70.3% | -1.3% | 41.5% | 37.6% | -3.9% |
| Abroad | 43.8% | 30.2% | -13.6% | 28.4% | 29.7% | 1.3% | 58.5% | 62.4% | 3.9% |

The distribution of the consolidated activity by geography as at end-September 2021 reveals a predominance of Lebanese entities and Turkish operations, representing the main pillars of the Group, along with European entities. 69.8% of consolidated assets were generated by entities operating in Lebanon versus 30.2% from entities abroad, of which 17.5% from Odea Bank and 12.0% from entities operating in Europe.

At the same date, the contribution of entities abroad to consolidated customers' deposits represented 29.7%, compared to 28.4% as at end-December 2020, of which 16.3% contributed by Odea Bank in Turkey and 13.0% by operations in Europe. Those entities account as well for 62.4% of consolidated net loans, of which 44% contributed by Odea Bank in Turkey and 16.5% by operations in Europe.

## 3.1. ASSET ALLOCATION

Bank Audi's assets and liability management continues to primarily reflect Management's overall risk tolerance/appetite, as well as any available business opportunities across countries of presence. In the first nine months of 2021, given the prevailing operating environment particularly in Lebanon and Turkey, main priorities principally focused on the six going concern pillars mentioned above and specifically strengthening the liquidity, reinforcing the capital base and a tight control on credit quality within reinforcing risk control, governance and operating efficiency.

Prevailing uncertainties in Lebanon and Turkey, as well as the global Covid-19 pandemic casting its shadows on global economies at large and resulting in economic restrictions and shutdowns, have had a limiting effect on business opportunities in the Bank's countries of presence in the first nine month of 2021, as in the year 2020, whereby the direction continued to revolve around activity consolidation, de-risking of the balance sheet, as well as operational efficiency.

As a result, the following comparative analysis of the consolidated assets allocation as at end-September 2021 compared to end-December 2020 reveals a similar structure across those dates:

### ASSETS BREAKDOWN

| | Dec-20 | | Sep-21 | |
|---|---|---|---|---|
| (USD Million) | Vol. | Share in Total | Vol. | Share in Total |
| Cash & placements with banks and central banks | 14,540 | 41.0% | 14,386 | 51.4% |
| Portfolio securities | 6,433 | 18.2% | 6,312 | 22.6% |
| Net loans | 6,136 | 17.3% | 5,263 | 18.8% |
| Other assets | 7,846 | 22.2% | 1,564 | 5.6% |
| Fixed assets | 476 | 1.3% | 439 | 1.6% |
| Total assets | 35,431 | 100% | 27,963 | 100% |

As at end-September 2021, the Bank's credit risk profile was as follows: consolidated loans to deposits ratio stood at 25.3% (compared to 28.5% as at end-December 2020) with the contraction justified by a faster decrease in net loans than in consolidated deposits. The consolidated placements with central banks and banks (excluding certificates of deposit issued by the Central Bank) represented 69.0% of consolidated customers' deposits as at end-September 2021, as compared to 67.5% as at end-December 2020, while portfolio securities represented 30.3% of customers' deposits as at end-September 2021, as compared to 29.9% as at end-December 2020. A quarterly evolution analysis supports a stable activity in the third quarter of 2021 with the credit risk profile of the Bank as at end-September 2021 remaining unchanged relative to end-June 2021. A slight deviation from that trend would be the increase of the Bank's net exposure to Lebanese sovereign Eurobonds following Management's July 2021 decision to purchase those bonds based on an opportunistic approach with an aim to resell those bonds to CLD holders wishing to receive them, or for the repayments of fiduciary deposits. Albeit increasing, the Bank's net exposure to Lebanese sovereign Eurobonds remains immaterial, representing 0.13% of adjusted customers' deposits as at end-September 2021, as compared to 0.04% as at end-December 2020.





## CHANGES IN PLACEMENTS WITH CENTRAL BANKS AND BANKS

The table below sets out a breakdown of placements with central banks and banks by type and currency as at end-September 2021:

### PLACEMENTS WITH CENTRAL BANKS AND BANKS (EXCLUDING CDs)

| (USD Million) | LBP | USD | EUR | TRY | OTHERS | TOTAL |
|---|---|---|---|---|---|---|
| Central banks | 2,326 | 7,945 | 925 | 65 | 1,047 | 12,308 |
| o.w. Reserves requirements | 384 | 1,923 | 8 | 2 | -1 | 2,316 |
| o.w. Cash deposits | 1,943 | 6,022 | 917 | 63 | 1,048 | 9,993 |
| Placement with banks | 1 | 1,624 | 231 | 161 | 61 | 2,078 |
| o.w. Deposits with banks | 0 | 1,624 | 231 | 49 | 61 | 1,965 |
| o.w. Loans to banks and financial institutions and reverse repurchase agreements | 0 | | | 112 | | 112 |
| Total placements | 2,327 | 9,569 | 1,156 | 225 | 1,108 | 14,386 |

The Bank's consolidated placements with central banks and banks (comprised principally of cash, as well as amounts held at central banks (including free accounts and compulsory reserves and excluding certificates of deposits issued by the Central Bank of Lebanon), placements with banks and loans to banks and reverse repurchase facilities with central banks and financial institutions) registered little change in the first nine months of 2021, moving from USD 14.5 billion as at end-December 2020 to USD 14.4 billion as at end-September 2021, i.e. a mere decrease of 1.1%. They stood to represent 69.0% of customers' deposits as at end-September 2021 compared to 68.8% as at end-June 2021 and 67.5% as at end-December 2020, with the variation mostly accounted for by faster contraction in consolidated customers' deposits (3.2% in the first nine months of 2021).

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 2.8 billion as at end-December 2020 to stand at USD 2.3 billion as at end-September 2021, almost the same level as at end-June 2021. The USD 471 million decrease in placements with central banks and banks in Lebanese Pounds continues to reflect predominant efforts made to manage the Bank's FX position in light of the multitude of exchange rates applied in Lebanon.

The Bank's placements with central banks and banks in foreign currency consist of cash and short-term deposits placed at the Central Bank of Lebanon and other central banks, excluding certificates of deposit issued by BdL, and placements in prime banks in OECD countries. The Bank's placements with central banks and banks in foreign currencies increased by USD 317 million over the period (2.7%), moving from USD 11.7 billion as at end-December 2020 to USD 12.1 billion as at end-September 2021, almost the same level as at end-June 2021. The USD 317 million increase is split over an increase in placements with banks in foreign currencies of USD 470 million, and an increase in cash and free accounts in foreign currencies at central banks by 98 million partially offset by a decrease in consolidated compulsory reserves in foreign currencies by USD 251 million. The latter is justified by a 1% change in the reserve requirement in Lebanon from 15% of deposits in foreign currencies to 14%, along with a decrease in consolidated deposits denominated in foreign currencies by USD 750 million.

As a percentage of consolidated customers' deposits denominated in foreign currencies, placements with central banks and banks in foreign currencies stood at 67.1% as at end-September 2021, compared to 62.7% and 66.4% as at end-December 2020 and end-June 2021 respectively. In parallel, placements with banks in foreign currencies to consolidated customers' deposits in foreign currencies increased in from 8.6% as at end-December 2020 to 11.6% as at end-September 2021.

Management's key priority remains to gradually build up the Bank's offshore liquidity free from any obligation. Through a number of initiatives, of which the sale of the foreign operations and the reinforcement of the capital base, Bank Audi succeeded to do so starting from a very low base in May 2020 while taking into account regulatory requirement updates, most notably BdL Basic Circulars 158 & 159, as well as BCC communication 801/13.

The Bank actively implemented the requirement of BdL Basic Circular 158 (please refer to Note 1 of the attached financial statements) while mitigating its impact on the Bank's liquidity. By way of background, the said circular defines the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to USD 50,000 over a period of 5 years. Eligible funds would be transferred to a subaccount over which the banking secrecy will be lifted vis-à-vis BdL and BCC before funds are gradually withdrawn and remitted to the customer on a monthly basis. Customers' entitlements under the circular cover (i) USD 400 in cash or equivalent (transfer abroad, credited to payment card with international usage etc.) and (ii) an amount in LBP equivalent to USD 400, converted at a LBP/USD FX rate of 12,000 .The LBP amount will be paid 50% in cash and 50% credit to a payment card. The financing of this process is secured equally through (i) BdL's reduction of compulsory reserve requirements from 15% to 14% as per BdL Intermediary Circular 586, and (ii) the Bank's offshore liquidity. As at 9 November 2021, the number of customers benefiting from this scheme reached 13,411 and their corresponding share of eligible funds amounted to USD 177 million, of which USD 44 million represented the outright payment from the Bank's liquidity position when all payments are settled. This impact reaches USD 357 million over the 5-year period.

BdL Basic Circular 159, issued in August 2021, prevented Lebanese 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, and (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other banks' accounts in foreign currencies, whether directly or indirectly.

One key initiative implemented in the first nine months is the restructuring of senior loans extended to international Development Financials Institutions (DFIs). Bank Audi agreed with a pool of senior lenders on the restructuring of part of its debt for an amount of circa USD 154 million by cancelling payment of interest effective 1 July 2021 and by extending terms of payments. The agreement reached against a payment of an upfront amount (approximately equivalent to the past due principle payment) and all accrued interest until 30 June 2020, substantially relieved the Bank's obligation with respect its offshore liquidity commitments (please refer to section 3.1 above for further details).

As a result, the Bank's level of offshore liquidity free from any obligation to total deposits on 31 July 2020 increased from 0.93% as at 16 January 2021 to 6.31% as at 30 October 2021 net of fresh payments as per BdL Basic Circular 158, largely exceeding the 3% regulatory minimum requirement as per the Central Bank of Lebanon's Basic Circular 154. Excluding the impact of Basic Circular 158, the said ratio would reach 6.38% at the same date.

## CHANGES IN SECURITIES PORTFOLIO

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

### PORTFOLIO SECURITIES BREAKDOWN

| (USD Million) | Dec-20 | Sep-21 | Change in Vol. | Change in % |
|---|---|---|---|---|
| Central Bank of Lebanon certificates of deposit | 2,640 | 2,556 | -84 | -3.2% |
| LBP-denominated | 76 | 45 | -31 | -40.8% |
| Foreign currency-denominated | 2,563 | 2,510 | -53 | -2.1% |
| Net Lebanese Treasury bills and Eurobonds | 2,066 | 2,137 | 72 | 3.5% |
| LBP-denominated | 2,210 | 2,213 | 3 | 0.1% |
| Foreign currency-denominated | -144 | -75 | 69 | -47.8% |
| Risk-ceded government Eurobonds | 153 | 103 | -50 | -32.7% |
| LBP-denominated | | | | |
| Foreign currency-denominated | 153 | 103 | -50 | -32.7% |
| Other non-Lebanese sovereign securities | 962 | 919 | -42 | -4.4% |
| TRY | 456 | 435 | -21 | -4.6% |
| USD | 409 | 374 | -35 | -8.4% |
| EUR | 97 | 109 | 13 | 13.4% |
| Other fixed income securities | 533 | 524 | -10 | -1.8% |
| LBP-denominated | | | | |
| Foreign currency-denominated | 533 | 524 | -10 | -1.8% |
| Equity securities | 80 | 73 | -7 | -8.4% |
| LBP-denominated | 13 | 13 | 0 | -0.6% |
| Foreign currency-denominated | 66 | 60 | -7 | -10.0% |
| Total portfolio securities | 6,433 | 6,312 | -121 | -1.9% |

The Bank's portfolio of securities is comprised principally of certificates of deposit issued by the Central Bank of Lebanon, Lebanese Pound-denominated Treasury bills, foreign currency-denominated sovereign bonds (principally US Dollar-denominated Eurobonds issued by the Lebanese Republic), non-Lebanese sovereign bonds, other fixed income instruments and equity securities. The evolution of the Bank's securities portfolio in the first nine months of 2021 is also stable with the portfolio contracting by a mere 1.9% or USD 121 million to stand at USD 6.3 billion as at end-September 2021, the same level as at end-June 2021, compared to USD 6.4 billion as at end-December 2020. The stability is also reflected at the level of the structure of the securities portfolio.

*Lebanese Bond and Central Bank Certificates of Deposit Portfolio*

Certificates of deposit in Lebanese Pounds issued by the Central Bank of Lebanon accounted for a mere USD 31 million of the decrease in total securities, moving from USD 76 million as at end-December 2020 to USD 45 million as at end-September 2021. In parallel, Treasury bills denominated in Lebanese Pounds remained stable across dates at USD 2.2 billion, both standing at the same level as at end-June 2021.

In foreign currencies, certificates of deposit issued by the Central Bank of Lebanon decreased by a mere USD 53 million to stand at USD 2.5 billion, almost the same level as at end-December 2020. Notwithstanding, when adding the free accounts in foreign currencies placed at the Central Bank of Lebanon as well, the net exposure to the Central Bank of Lebanon in foreign currencies contracted by USD 327 million or 3.1% over the same period, mirroring a decrease in customers' deposits denominated in foreign currencies. This is net of an ECL of USD 194 million taken on this exposure as per regulatory requirement (1.89%) which remained unchanged across the period. As a result, the said net exposure stood at USD 10.6 billion as at end-September 2021 compared to USD 10.9 billion as at end-December 2020. Adjusting to the Bank's borrowings from the Central Bank of Lebanon in foreign currencies and corresponding ECL, the said exposure would stand at USD 10.1 billion as at end-September 2021, compared to USD 10.4 billion as at end-December 2020.







The Group's exposure to Lebanese sovereign Eurobonds net of ECLs, including the risk-ceded government bonds, increased slightly in the third quarter of 2021 following Management's decision, starting the month of July, to purchase RoL Eurobonds based on an opportunistic approach, predominantly to meet the requirements of CLD holders wishing to receive Eurobonds and for the repayment of fiduciary deposits. Subsequently, the risk of those purchased Eurobonds is majorly ceded to customers. However, the increase remains immaterial as the net exposure to Lebanese sovereign Eurobonds net of ECLs including the risk-ceded government bonds stood at USD 28 million as at end-September 2021 compared to USD 9 million as at end-December 2020. Management undertakes to maintain ECL on this asset class above the minimum requirement at all times.

*Non-Lebanese Sovereign Securities*

The Bank's non-Lebanese sovereign risk decreased by USD 42 million in the first nine months of 2021, from USD 962 million as at end-December 2020 to USD 919 million as at end- September 2021. Non-Lebanese sovereign securities mostly represent exposure to the Turkish sovereign, denominated in Turkish Lira, amounting to USD 435 million as at end-September 2021 and justified by the Group's sizeable operation in this market. The latter exposure expressed in USD decreased by USD 21 million in the first nine months of the year (4.6%), mostly due to the devaluation of the Turkish Lira versus the USD by 17.5%, leaving a real increase by 15.7%.

In relative terms, the Bank's portfolio of non-Lebanese sovereign bonds represented 14.6% of the total securities portfolio as at end-September 2021 compared to 14.9% as at end-December 2020. It also represents 5.1% of foreign currency-denominated customers' deposits, the same level as at end-December 2020.

*Other International Fixed Income Securities*

The Bank's exposure to other international fixed income securities increased in the third quarter of the year by USD 40 million, from USD 484 million as at end-June 2021 to USD 524 million as at end-September 2021. This is mainly due to entities' new investments in international bonds from their excess in liquidity. The portfolio is still concentrated on banks and financial institution issuers which represent 61.8% of the total portfolio, while corporate issuers accounted for 6.9% and the remaining 31.3% represented loans to customers at fair value through P&L. The portfolio is characterised by a good level of issuer diversification with the highest single issuer position dropping from 10.2% as at end-June 2021 to 7.3% of the total portfolio as at end-September 2021.

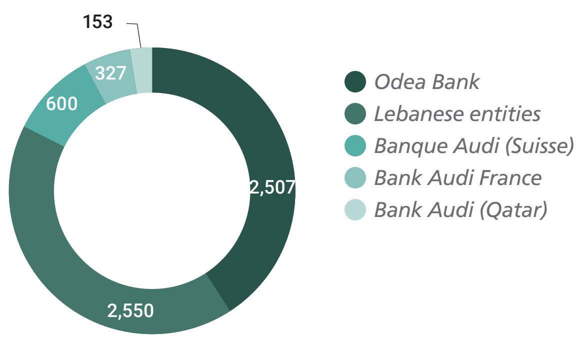
## CHANGES IN NET LOANS TO CUSTOMERS

Due to both the Lebanese financial crisis and the COVID-19 outbreak, the Bank continues to be faced with challenging credit conditions and an unprecedented economic downturn in its principal markets of presence. Within this context, the consolidated net loan portfolio continued to contract, decreasing by 14.2% or USD 873 million during the first nine months of 2021. This decrease stemmed mainly from a drop in net loans of Lebanese entities by USD 570 million (-22.3%) due to settlement of loans and a decrease in Odea Bank by USD 191 million (-7.6%) mostly as a result of an FX effect following the devaluation of the Turkish Lira versus the US Dollar, offsetting the growth of portfolio in LCY witnessed during this period. As at end-September 2021, the Bank's consolidated net loans to customers stood at USD 5.3 billion compared to USD 6.1 billion as at end-December 2020.

A breakdown of the net loan portfolio by geography as at end-September 2021 reveals that 38% of consolidated loans were booked in entities operating in Lebanon, 44% in Odea Bank in Turkey, 11% in Banque Audi (Suisse), and 8% in other entities. This is compared to 42% in Lebanese entities, 41% in Odea Bank, 10% in Banque Audi (Suisse), and 7% in the remaining entities as at end-December 2020.

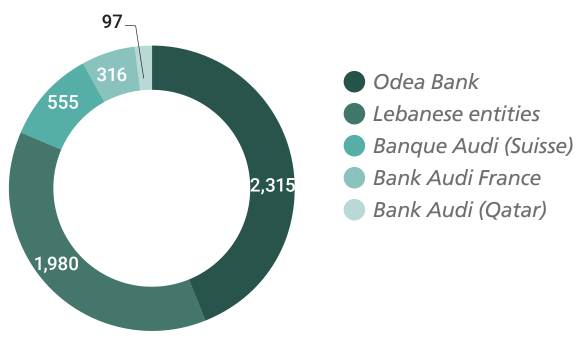
### BREAKDOWN OF NET LOANS & ADVANCES BY ENTITY AS AT END-DECEMBER 2020

(USD Million)




2020

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



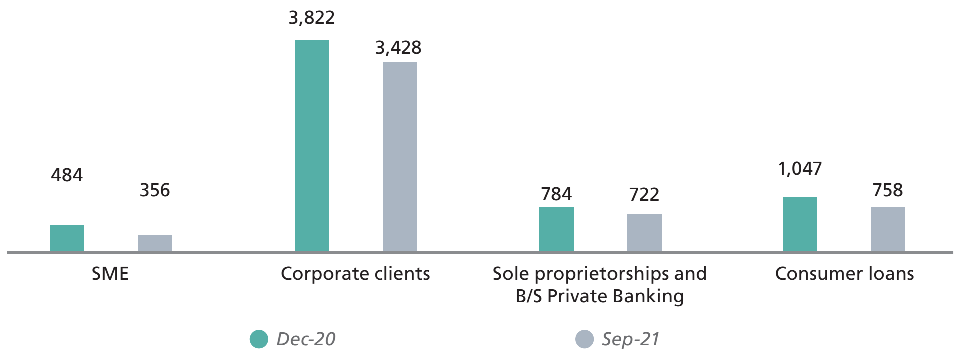

2021

*Analysis of Loans by Class of Borrower*

The distribution of the Bank's consolidated loan portfolio by type of borrower continues to show a concentration in the corporate segment which constituted 65% of the loan book as at end-September 2021 compared to 62% as at end-December 2020, with consumer loans as the next largest segment – 14% of the portfolio (compared to 17% as at end-December 2020).

### BREAKDOWN OF NET LOANS & ADVANCES BY TYPE OF CUSTOMER

(USD Million)




*Analysis of Loans by Economic Sector*

By economic sector, the USD 873 million decrease in consolidated net loans is mostly accounted for by consumer loans with a decrease of USD 289 million, followed by loans to financial intermediaries with a decrease of USD 240 million. At 18% of the Bank's consolidated loan portfolio, the real estate sector encompassing real estate services and developers continues to represent the largest industry concentration, even though the said exposure was decreased by USD 42 million during the first nine months of 2021 after a contraction by USD 566 million achieved in 2020. On the backdrop of the high level of loans denominated in foreign currencies amid the unprecedented high economic volatility witnessed in both Lebanon and Turkey, Management continues to prioritise the contraction of the exposure in risky sectors.

### BREAKDOWN OF NET LOANS & ADVANCES BY ECONOMIC SECTOR

| (USD Million) | Dec-20 | | Sep-21 | |
|---|---|---|---|---|
| | Vol. | Share in Total | Vol. | Share in Total |
| Manufacturing | 778 | 13% | 754 | 14% |
| Transportation & communication | 210 | 3% | 116 | 2% |
| Consumer loans | 1,047 | 17% | 758 | 14% |
| Contractors | 156 | 3% | 155 | 3% |
| Trade | 590 | 10% | 599 | 11% |
| Real estate services & developers | 981 | 16% | 939 | 18% |
| Financial intermediaries | 1,103 | 18% | 863 | 16% |
| Other loans | 1,272 | 20% | 1,080 | 22% |
| Total portfolio | 6,136 | 100% | 5,263 | 100% |

*Analysis of Loans by Maturity*

The following table shows the breakdown of the loan portfolio by maturity as at end-September 2021 compared to end-December 2020. An analysis of the evolution of the loan book across those dates shows that the USD 873 million decrease in net loans is mainly in long-term facilities (decreasing by USD 516 million) and short-term facilities (declining by USD 412 million) amid a slight increase in medium-term facilities. Subsequently, the structure of the net loan portfolio across maturities remained almost stable as at end-September 2021 compared to end-December 2020.





### BREAKDOWN OF NET LOANS & ADVANCES BY MATURITY SINCE INCEPTION

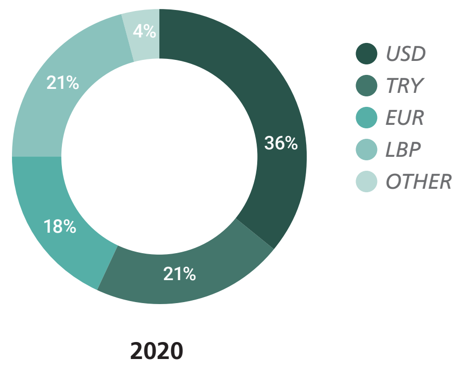
| (USD Million) | Dec-20 | | Sep-21 | |
|---|---|---|---|---|
| | Vol. | Share in Total | Vol. | Share in Total |
| Short-term facilities | 2,094 | 34% | 1,682 | 32% |
| Medium-term facilities | 837 | 14% | 892 | 17% |
| Long-term facilities | 3,205 | 52% | 2,689 | 51% |
| Total | 6,136 | 100% | 5,263 | 100% |

*Analysis of Loans by Currency*

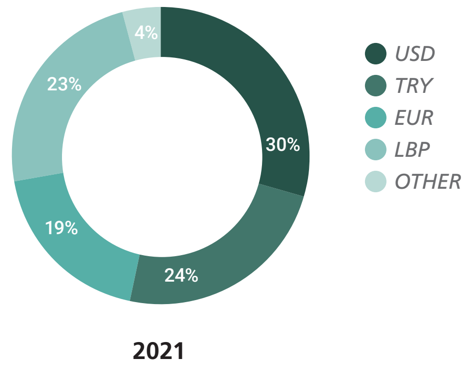
The share of loans denominated in US Dollars stood at 30% as at end-September 2021, decreasing relative to end-December 2020 (36%). At the same date, 39% of loans booked in Lebanese entities are denominated in foreign currencies, compared to 50% as at end-December 2020, an evolution reflecting the implemented collection efforts on the backdrop of growing concerns of devaluation of Lebanese Pounds, leading to substantial prepayments of FX exposures. In Odea Bank, 54% of the loan book is denominated in Turkish Lira, with the remainder denominated in foreign currency, thus highlighting the efforts made in terms of local currency lending.

The following charts show the distribution of the Bank's loan portfolio by currency as at end-September 2021 as compared to end-December 2020:

### BREAKDOWN OF NET LOANS & ADVANCES BY CURRENCY AS AT END-DECEMBER 2020




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




*Analysis of Loans by Type of Collateral*

At end-September 2021, 54% of the consolidated net loan portfolio was secured, predominantly by real estate mortgages (37%). The decrease in secured portfolio is due to settlement of loans in Bank Audi Lebanon, an impairment on Lebanese-pledged securities which led to a reclassification of loans and FX effect following the devaluation of the Turkish Lira.

The following table shows the distribution of the Bank's loan portfolio by type of collateral as at end-September 2021 as compared to end-December 2020:

### BREAKDOWN OF NET LOANS & ADVANCES BY COLLATERALS

| (USD Million) | Dec-20 | | Sep-21 | |
|---|---|---|---|---|
| | Vol. | Share in Total | Vol. | Share in Total |
| Secured | 3,822 | 62% | 2,855 | 54% |
| Cash collateral & bank guarantees | 460 | 7% | 373 | 7% |
| Real estate mortgage | 2,482 | 40% | 1,939 | 37% |
| Securities (bonds & shares) | 784 | 13% | 484 | 9% |
| Vehicles | 96 | 2% | 58 | 1% |
| Corporate or personal guarantee | 1,564 | 26% | 1,658 | 32% |
| Unsecured | 750 | 12% | 750 | 14% |
| Total | 6,136 | 100% | 5,263 | 100% |

## LOAN QUALITY

The Bank applies the IFRS9 standard in estimating collective and specific provisions for the loan portfolio. The following table shows the Bank's main loan quality indicators as at end-September 2021 as compared to end-December 2020:

Loan QUALITY(*)

| (USD Million) | Dec-20 | Sep-21 | Change Sep-21/Dec-20 |
|---|---|---|---|
| Credit-impaired loans | 1,098 | 854 | -244 |
| o.w. Corporate | 874 | 649 | -225 |
| o.w. Retail | 224 | 205 | -19 |
| Net loans | 6,136 | 5,263 | -873 |
| o.w. Corporate | 5,087 | 4,503 | -584 |
| o.w. Retail | 1,049 | 760 | -289 |
| Allowance for ECL Stage 3 | 607 | 541 | -66 |
| o.w. Corporate | 447 | 376 | -71 |
| o.w. Retail | 160 | 165 | 5 |
| Allowance for ECL Stages 1 & 2 | 431 | 395 | -35 |
| o.w. Corporate | 348 | 311 | -38 |
| o.w. Retail | 82 | 85 | 3 |
| Credit-impaired loans/Gross loans | 15.31% | 13.78% | -1.53% |
| o.w. Corporate | 14.86% | 12.51% | -2.35% |
| o.w. Retail | 17.37% | 20.32% | 2.96% |
| Net credit-impaired loans/Gross loans | 6.85% | 5.05% | -1.80% |
| o.w. Corporate | 7.26% | 5.26% | -2.00% |
| o.w. Retail | 4.97% | 3.98% | -1.00% |
| Credit-impaired loans coverage | 55.25% | 63.35% | 8.10% |
| o.w. Corporate | 51.12% | 57.95% | 6.83% |
| o.w. Retail | 71.36% | 80.43% | 9.07% |
| Allowance for ECL Stages 1 & 2/Net loans | 7.02% | 7.51% | 0.50% |
| o.w. Corporate | 6.85% | 6.90% | 0.05% |
| o.w. Retail | 7.82% | 11.15% | 3.33% |

(*) *As per IFRS 9.*







As at end-September 2021, credit-impaired loans represented 13.78% of gross loans, compared to 15.31% as at end-December 2020, which highlights the efforts of recovery despite the contraction of the loan portfolio. In absolute terms, credit-impaired loans decreased by USD 244 million or 22.2% across the period to stand at USD 854 million as at end-September 2021.

In parallel, allowances for ECL Stage 3 decreased by a mere USD 66 million over the period justified by the reduction of the Stage 3 portfolio amid new collection efforts. As a result of the lower drop in provision compared to the decrease in Stage 3 loans, coverage ratio of the Stage 3 credit-impaired increased to 63.35% as at end-September 2021 from 55.3% as at end-December 2020. Albeit having decreased as a result of loan settlements and an impairment on Lebanese-pledged securities which led to a reclassification of loans and FX effect following the devaluation of Turkish Lira, real guarantees also provides the Bank with additional coverage reaching in aggregate 94% of gross Stage 3 loans.

In parallel, Stage 2 loans improved by -19.7%, contracting in absolute terms by USD 277 million over the same period, while credit allowances on those loans represented 16.9% as at end-September 2021 compared to 15.7% as at end-December 2020.

As a result, the share of Stage 1 loans in gross loans improved by 2.9%, from 65.1% at end-December 2020 to 68% as at end-September 2021, mirroring a decrease in the share of Stage 2 loans in gross loans by 1.4% and of Stage 3 by 1.53% over the same period.

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

## 3.2. FUNDING SOURCES

At end-September 2021, consolidated deposits represented 74.5% of total funding sources compared to 60.8% as at end-December 2020. Banks' deposits, subordinated debt and shareholders' equity had shares in total funding of 10.7%, 2.9% and 9.8% as at end-September 2021 compared to 10.0%, 2.3% and 8.3% as at end-December 2020, while other liabilities, including liabilities related to non-current assets held for sale, had a share in total funding of 2.1% compared to 18.3% as at end-December 2020.

The significant differential in the share of other liabilities relative to year-end 2020 shares is justified by the fact that consolidated figures as at end-December 2020 included the contribution of deemed discontinued operations (Bank Audi Egypt, Bank Audi sal – Jordan Branches and Bank Audi sal – Iraq Branches in light of their then prospective sale) which were aggregated in the line-by-line structure under "other liabilities". Figures as at end-September 2021, subsequent to the completion of the sale of these entities, represent the consolidated figures without any contribution of discontinued operations.

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-20 | Sep-21 | Change Sep-21/Dec-20 | Change in % |
|---|---|---|---|---|
| Central banks' deposits | 2,765 | 2,479 | -286 | -10% |
| Time deposit | 2,282 | 2,240 | -43 | -2% |
| Repurchase agreements | 483 | 240 | -243 | |
| Banks' deposits | 912 | 501 | -411 | -45% |
| Sight deposits | 160 | 159 | 0 | 0% |
| Time deposits | 753 | 342 | -411 | -55% |
| Customers' and related parties' deposits | 21,528 | 20,842 | -686 | -3% |
| Sight deposits | 8,734 | 10,487 | 1,753 | 20% |
| Time deposits, saving accounts and certificates of deposit | 12,549 | 10,230 | -2,319 | -18% |
| Collateral and margins | 245 | 125 | -120 | -49% |
| Subordinated loans | 797 | 809 | 11 | 1% |
| Other liabilities | 6,477 | 600 | -5,877 | -91% |
| Shareholders' equity | 2,951 | 2,732 | -219 | -7% |
| Total | 35,431 | 27,963 | -7,468 | -21% |

## CHANGES IN CUSTOMERS' DEPOSITS

Consolidated customers' deposits (including related-party deposits) decreased by USD 686 million in the first nine months of 2021, moving from USD 21.5 billion as at end-December 2020 to USD 20.8 billion as at end-September 2021, hovering around the same level as at end-June 2021. The USD 686 million decrease is totally attributed to entities operating in Lebanon registering a decrease by USD 762 million over the same period, totally offsetting a positive contribution of entities operating abroad by USD 75 million, mainly generated from European entities. Odea Bank had no contribution to the evolution of consolidated deposits since the achieved real increase in customers' deposits by USD 188 million was totally offset by a USD 187 million negative FX translation impact at consolidation level due to the devaluation of the Turkish Lira versus the US Dollar over the same period.

The contraction of deposits of Lebanese entities by USD 762 million reflects a contraction in deposits denominated in foreign currencies by USD 824 million within an increase in deposits denominated in LBP by USD 62 million. Customers' deposits of Lebanese entities stood at USD 14.6 billion as at end-September 2021, the same level as at end-June 2021, of which USD 11.8 million in foreign currencies and USD 2.9 billion denominated in LBP.

Subsequently, Lebanese entities account for a share of 70.3% in consolidated customers' deposits as at end-September 2021, followed by a contribution of 16.3% for Odea Bank, 13% from entities operating in Europe, and 0.5% from entities operating in the GCC, as compared to 71.6%, 15.8%, 12.1% and 0.6%, respectively, as at end-December 2020.

*Analysis of Customers' Deposits by Segment*

The share of Retail and Personal Banking deposits in consolidated deposits rose to 84.9% as at end-September 2021 compared to 79.6% as at end-December 2020. The rise in the share of Retail and Personal Banking deposits is attributed to an increase in those deposits by USD 803 million in the first nine months of 2021, aided by a decrease in corporate and SME deposits by USD 1.3 billion over the same period. Retail and Personal Banking deposits reached USD 17.7 billion as at end-September 2021 compared to USD 17.1 billion as at end-December 2020.

Corporate and SME deposits moved from USD 4.4 billion at end-December 2020, to stand at USD 3.1 billion as at end-September 2021, representing 15.1% of total deposits (versus 20.3% as at end-December 2020), with the decrease justified by the repayment of corporates of their outstanding loans with the Bank.

*Analysis of Customers' Deposits by Type*

Consolidated customers' deposits are predominantly composed of time deposits that include saving deposits and certificates of deposits. In the first nine months of 2021, time deposits decreased by USD 3.2 billion from USD 12.5 billion as at end-December 2020 to USD 10.2 billion as at end-September 2021, representing 49.1% of total deposits as at end-September 2021 compared to 58.3% as at end-December 2020.

Part and parcel of time deposits are credit-linked deposits which represent a product offered by the Bank to qualified investors comprising of a higher return on their deposits denominated in USD than the regular time deposit against an option for the Bank to redeem the deposit of those qualified investors at maturity, either in cash or with Lebanese Eurobond set face value. As at end-December 2019, on the onset of the Lebanese Crisis, credit-linked deposits amounted to USD 494 million. The Bank had the option, at each subsequent maturity, to repay those deposits with Lebanese Eurobonds at a value of 17% of their par value following the default of the Lebanese sovereign and book close to USD 400 million in gains. However, it elected to offer CLD holders the opportunity to take 25% of the outstanding amount in local deposits and 75% in 4 years' and 9 years' certificates of deposit issued by the Central Bank. So far, holders having 81.6% of the outstanding CLD amount chose to subscribe to this offer, while 13.8% elected to be repaid in Lebanese Eurobonds, with the Bank awaiting feedback from most of the remaining. In July 2021, the Bank proceeded to buy RoL Eurobonds to resell to the CLD holders wishing to receive Eurobonds.

In parallel, sight and short-term deposits increased from USD 9 billion as at end-December 2020 to USD 10.6 billion as at end-September 2021, representing 50.9% as at end-September 2021 compared to 41.7% as at end-December 2020. This evolution, which also circles back to the increase in retail and personal deposits mentioned above, underscores predominantly the low confidence level of depositors in Lebanon amid persisting high uncertainties and the extremely low cost of deposits that has compelled some of those depositors to keep their savings in sight deposits awaiting a resolution of the current financial crisis.

*Analysis of Customers' Deposits by Currency*

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

### BREAKDOWN OF DEPOSITS BY CURRENCY

| (USD Million) | Dec-20 | | Sep-21 | | Change Sep-21/Dec-20 | |
|---|---|---|---|---|---|---|
| | Volume | Share in Total | Volume | Share in Total | Volume | Share in Total |
| Lebanese Pound | 2,799 | 13.0% | 2,862 | 13.7% | 64 | 0.7% |
| US Dollars | 14,954 | 69.5% | 14,195 | 68.1% | -760 | -1.4% |
| Turkish Lira | 1,067 | 5.0% | 1,387 | 6.7% | 320 | 1.7% |
| Euro | 2,068 | 9.6% | 1,747 | 8.4% | -321 | -1.2% |
| Other currencies | 640 | 3.0% | 650 | 3.1% | 11 | 0.1% |
| Total | 21,528 | 100.0% | 20,842 | 100.0% | -686 | |





The share of customers' deposits denominated in US Dollars decreased from 69.5% as at end-December 2020 to 68.1% as at end-September 2021, and continued to comprise the bulk of consolidated deposits. In parallel, the share of deposits denominated in Euro decreased by 1.2% to stand at 8.4% as at end-September 2021. This was met by an increase in the share of Turkish Lira by 1.7% to 6.7% of consolidated deposits as at end-September 2021 and of Lebanese Pounds by 0.7% to 13.7% of consolidated deposits.

## CHANGES IN SHAREHOLDERS' EQUITY

Consolidated shareholders' equity contracted by USD 219 million in the first nine months of 2021, the equivalent of 7.4%, from USD 2,951 million as at end-December 2020 to stand at USD 2,732 million as at end-September 2021. The share of consolidated shareholders' equity in total assets increased from 8.3% as at year-end 2020 to 9.8% as at end-September 2021, owing to a faster decrease in consolidated assets attributed to the sale of the foreign operations.

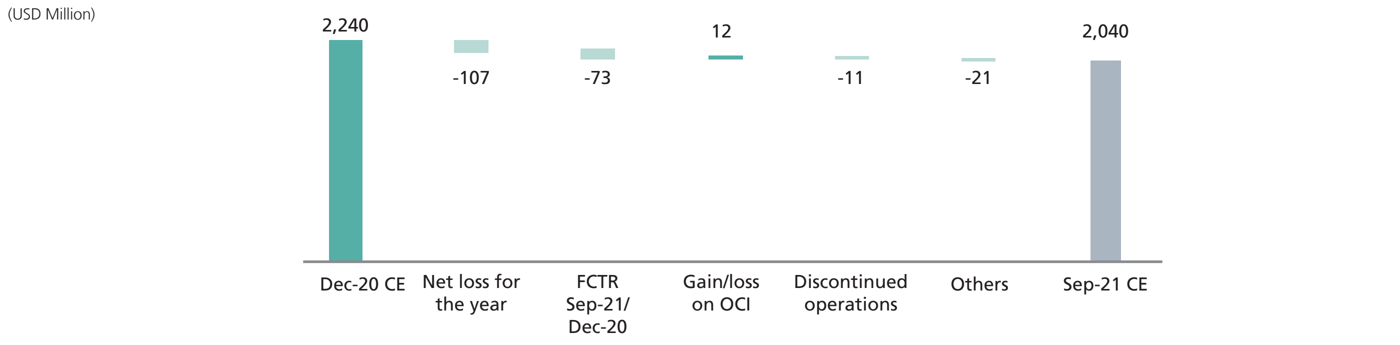
The decrease in consolidated shareholders' equity by USD 219 million was primarily due to:

- USD 107 million of net losses realised in the first nine months of 2021.
- USD 73 million of negative changes in foreign currency translation reserves principally following the devaluation of the Turkish Lira versus the US Dollar by 17.5%, from TRY 7.34 for each USD to TRY 8.90 for each USD (USD 66 million).
- A net decrease in the minority share of Odea Bank by USD 17 million.
- A USD 11 million negative impact from the sale of discontinued operations (BAJO, BAIQ, BAEGY and Globalcom).
- USD 12 million of gains on sale of Bank Audi Syria, in addition to
- other equity changes.

As at end- September 2021, total shareholders' equity comprised USD 2,040 million of common equity group share, in addition to USD 600 million of preferred equity and USD 92 million of minority shares. This is compared to USD 2,240 million, USD 600 million and USD 111 million as at end-December 2020.

The chart below breaks down the USD 200 million decrease of consolidated common equity group share in the first nine months of 2021:

### EVOLUTION OF COMMON EQUITY GROUP SHARE IN THE FIRST NINE MONTHS OF 2021




The USD 600 million of preferred equity represents 3 series as follows: Series "H" comprising of 750,000, Series "I" of 2,500,000 shares and Series "J" of 2,750,000, 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.

The Bank's shareholders' equity is supported by a supplemental capital in the form of subordinated debt. As at end-September 2021, the Bank's subordinated debt stood at USD 805 million, of which USD 500 million issued by Bank Audi Lebanon (USD 150 million subscribed by IFC and USD 350 million subscribed by qualified investors). Accounted for as regulatory Tier 2 capital, the subordinated debt issued by Bank Audi Lebanon carries a loss absorption clause similar to the one of the preferred shares previously mentioned. 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, the 2021 Subordinated Notes, to be subscribed to exclusively through the exchange of the 2013 Subordinated Notes (USD 350 million). The terms of the new unsecured subordinated notes have received the approvals of the Central Bank of Lebanon and the Capital Market Authority. The Bank has already launched the process to exchange these notes as per the new terms.

## CAPITAL ADEQUACY

The following table sets out the calculation of the Bank's capital adequacy ratios over the different components as at end-September 2021 relative to end-December 2020:

### CAPITAL ADEQUACY RATIO

| (USD Million) | Dec-20 | Sep-21 | Change Sep-21/ Dec-20 |
|---|---|---|---|
| Risk-weighted assets | 28,619 | 23,085 | -5,534 |
| o.w. Credit risk | 24,927 | 19,865 | -5,062 |
| o.w. Market risk | 1,572 | 1,565 | -7 |
| o.w. Operational risk | 2,120 | 1,655 | -465 |
| *Tier 1 capital* | 3,296 | 3,036 | -260 |
| *o.w. Common Tier 1* | *2,679* | *2,420* | *-259* |
| Tier 2 capital | 460 | 385 | -75 |
| Total regulatory capital | 3,756 | 3,421 | -335 |
| Common Tier 1 ratio | 9.4% | 10.5% | 1.1% |
| + Additional Tier 1 ratio | 2.2% | 2.7% | 0.5% |
| = Tier 1 ratio | 11.5% | 13.2% | 1.6% |
| Tier 2 ratio | 1.6% | 1.7% | 0.1% |
| Total ratio | 13.1% | 14.8% | 1.7% |

| | Minimum Capital Requirements(*) | |
|---|---|---|
| Common Tier 1 ratio | 4.50% | 4.50% |
| + Additional Tier 1 ratio | 1.50% | 1.50% |
| = Tier 1 ratio | 6.00% | 6.00% |
| Tier 2 ratio | 2.00% | 2.00% |
| Total capital ratio | 8.00% | 8.00% |

*(*) BDL IC 567 changed the computation of regulatory ratios in 2020 onwards. A waiver was applied on capital conservation buffer of 2.5% for 20 and 21 before progressively reinstating it.*

Parallel to the decrease in consolidated shareholders' equity, the regulatory capital of Bank Audi registered a contraction by USD 335 million in the first nine months of 2021, from USD 3,756 million as at end-December 2020 to USD 3,421 million as at end-September 2021. The said decrease is broken down over a decrease in Core Equity Tier 1 capital by USD 259 million and Tier 2 capital by USD 75 million. While the former is mostly justified by the USD 107 million loss registered over the period, as well as the changes in the FCTR mainly following the devaluation of the Turkish Lira, the latter stems from the time decay amortisation of subordinated debt as maturity comes closer. Subsequently, the USD 3,421 million of regulatory capital as at end-September 2021 was broken down over USD 2,420 million of CET1 capital, USD 616 million of additional Tier 1 capital and USD 385 million of Tier 2 capital.

Notwithstanding the decrease in regulatory capital, all components of the Bank's capital ratios improved in the first nine months of the year: CET1 ratio moved from 9.4% as at end-December 2020 to stand at 10.5% as at end-September 2021, well exceeding the regulatory minimum of 4.5%. Additional Tier 1 ratio improved as well by 0.5% to reach 2.7%, while Tier 2 capital ratio reported a slight change of 0.1% to stand at 1.7%. As a result, the Bank's capital adequacy ratio improved by 1.7% over the period, from 13.1% as at end-December 2020 to 14.8% as at end-September 2021.

Subsequently, the reinforcement of the Bank's capital ratio is principally supported by a contraction in consolidated risk-weighted assets by 19.3%, from USD 28.6 billion as at end-December 2020 to USD 23.1 billion as at end-September 2021, driven by a 20.3% contraction in credit risk-weighted assets. In relative terms, the USD 5.5 billion decrease in consolidated risk-weighted assets had a positive contribution of 2.9% to capital ratio, totally offsetting the 1% negative contribution of the decreasing regulatory capital.

The decrease in consolidated risk-weighted assets by USD 5.5 billion in the first nine months of 2021 is mainly attributed to:

- A USD 1.8 billion decrease of risk weights on BdL placements following their opportunistic transfer from long-term maturities carrying risk weights of 150% to shorter ones with risk weights of 50%.
- A USD 2.8 billion decrease following the deconsolidation of entities in Egypt, Jordan and Iraq because of their sale.
- A USD 458 million decrease following a regulatory change of risk weights on unrated corporate loans from 150% to 50%.
- A USD 256 million contractionary impact on the contribution of Odea Bank following the devaluation of the Turkish Lira versus the US Dollar, with
- the remainder mostly accounted for by the continued deleveraging of the loan portfolio across all entities save for Odea Bank.





## 3.3. GROUP RESULTS OF OPERATIONS

With the outset of the Lebanese Crisis in October 2019 and its subsequent impacts exacerbated by the Covid-19 repercussions on the economies of countries of presence, Management had, early on in the Crisis, decided to continue to allocate all the recurrent operating profits before tax and provisions to provisions and to cover one-off losses tied to the Lebanese Crisis until the situation is stabilised, while focusing in priority on operational efficiency.

On this backdrop, Bank Audi Group posted net losses of USD 107 million in the first nine months of 2021 compared to no profits in the corresponding period of last year, almost the same level of losses registered in the first half of 2021. The line-by-line profit and loss statements includes one-off allowances and flows related to the Lebanese Crisis which encompass mostly one-off commissions paid on operations, with customers benefitting from the multiplier factor (please refer to the section entitled "Changes in Primary Liquidity" in the 2020 Annual Report) and one-off FX losses stemming from foreign currencies purchased at preferential rates or at LPB 3,900 for each USD within the scope of BdL Intermediary Circular 151 and not resold to the BdL, while being revalued at the official rate of LBP 1507.5 for each USD.

In addition, for even comparison, the Income Statement in the first nine months of 2020 was restated to lump up the net profits generated by the discontinued operations (following the completion of the sale of the operations in Jordan, Iraq and Egypt) within that period under "results from discontinued operations". In the first nine months of 2021, net profits from discontinued operations includes the net profits from those operations realised until the completion of the sale of those operations, i.e. until early March 2021 from operations in Jordan and Iraq and until late April 2021 for Bank Audi sae (Egypt). The USD 52 million of results of discontinued operations are mainly broken down over USD 36 million of gains from the sale of Bank Audi sae (Egypt), with the remainder USD 16 million of net earnings of Bank Audi sae in the first 5 months of 2021 amid no contribution from the sale of Jordan and Iraq to the 2021 P&L.

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

### SUMMARISED NORMALISED CONSOLIDATED INCOME STATEMENT

| (USD Million) | 9M-20(*) | 9M-21 | YOY Change | |
|---|---|---|---|---|
| Interest income(1) | 626.1 | 794.3 | 168.2 | 26.9% |
| *Net of new taxes on financial investments* | *-141.4* | *-112.6* | *28.8* | *-20.4%* |
| Non-interest income | 91.7 | 81.8 | -9.9 | -10.8% |
| Total income | 717.8 | 876.1 | 158.3 | 22.1% |
| Operating expenses | 338.8 | 310.8 | -28.0 | -8.3% |
| Credit expense | 22.5 | 7.4 | -15.1 | -67.0% |
| Income tax | 15.2 | 4.4 | -10.7 | -70.7% |
| **Total expenses** | **376.5** | **322.7** | **-53.8** | **-14.3%** |
| Net profits after tax (normalised from operations) | 341.3 | 553.4 | 212.1 | 62.1% |
| Results of discontinued operations | 70.8 | 52.3 | -18.5 | -26.1% |
| Net profits after discontinued operations | 412.1 | 605.7 | 193.6 | 47.0% |
| + Crisis related one-offs | -412.1 | -713.0 | -300.9 | 73.0% |
| = Net profit after tax and one-offs | 0.0 | -107.3 | | |

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

*(*) Restated (excluding Egypt, Jordan, Iraq).*

Adjusting the results from the crisis related one-off allowances and flows, as well as the results of the discontinued operations for an analysis on equal basis, Bank Audi would have achieved operating profits (normalised) of LBP 834 billion in the first nine months of 2021, compared to LBP 514 billion in the corresponding period of 2020. Translated at the official rate of 1 USD = 1507.5 LBP, Bank Audi would have achieved operating profits (normalised) of USD 553 million in the first nine months of 2021, compared to USD 341 million in the corresponding period of 2020.

By geography, the USD 553 million of net profits achieved in the first nine months of 2021 are mostly generated from the entities operating in Lebanon with USD 515 million (93% of the total), amid a contribution of entities operating outside Lebanon by USD 39 million. The latter is broken down over USD 18.5 million of net profits from Odea Bank, USD 15.8 million from European entities (mainly in France and Switzerland), USD 1.9 million from Bank Audi Qatar and USD 2.8 million from Audi Capital (KSA). In the first half of 2020, aggregating the net profits of Audi Private Bank in Lebanon with those of Bank Audi sal following its merger with the mother company at end-December 2020, entities operating in Lebanon generated 93% of consolidated normalised net profits, while the contribution of entities operating outside Lebanon to consolidated net profits reached USD 25 million, mostly generated by Private Banking entities (USD 19 million) followed by Bank Audi France and Bank Audi Qatar.

In what follows, we analyse the line-by-line flows of normalised profits in the first nine months of 2021 relative to the corresponding period of last year.

## NET INTEREST INCOME

In the first nine months of 2021, consolidated net interest income net of taxes rose by 26.9% relative to the corresponding period of last year, moving from USD 626 million in the first nine months of 2020 to USD 794 million in the first nine of 2021. The USD 168 million increase stems from significant changes in the cost of deposit grid, particularly in Lebanon where cost of deposits is at an all times low of 0.9% in the month of September 2021 amid a de-facto capital control, of which 1.9% on LBP deposits and 0.6% on FCY deposits.

Consolidated net spread improved year-on-year by 1.16%, from 2.22% in the first nine months of 2020 to 3.38% in the first nine months of 2021. Bank Audi Lebanon is the main driver of this improvement. Spread in Bank Audi Lebanon moved from 2.5% to 4.5% over the same period. Cost of deposits is the main driver behind the spread enhancement in Lebanon, moving from 4.4% in the first nine months of 2020 to 1.16% in the first nine months of 2021 following strict abidance by the flat customers paid interest rate grid within lower interest paid and received from Banque du Liban.

In contrast, Odea Bank's spread has shrinked from 2.5% in the first nine months of 2020 to 1.6% in the first nine months of 2021, driven by a surge in cost of deposits in sector in the fourth quarter of 2020 justified by increased market competition. With the yield on assets of Odea Bank gradually catching up with the changes in cost of deposits, Odea Bank's net spread including swaps improved from 1.34% in the fourth quarter of 2020 to 1.25% in the first quarter of 2021, 1.32% in the second quarter of the year and 2.17% in the third quarter of 2021.

Based on the above, the USD 168 million increase in net interest income was due to a price effect of USD 273 million offsetting a negative quantity effect of USD 104 million attributed to consolidated average assets contracting by 16.7%, from USD 37.7 billion in the first nine months of 2020 to USD 31.4 billion in the first nine months of 2021, resulting mostly from the completion of the sale of the entities in Jordan, Iraq and Egypt.

## NON-INTEREST INCOME

Normalised consolidated non-interest income decreased by 10.8% over the period, from USD 91.7 million in the first nine months of 2020 to USD 81.8 million in the first nine months of 2021, representing a decrease by USD 9.9 million, attributed mostly to income from financial investments moving from a gain of USD 10.8 million in the first nine months of 2020 to net losses of USD 15.5 million in the first nine months of 2021.

Normalised consolidated fees and commissions increased in parallel by USD 16.6 million from USD 75.2 million in the first nine months of 2021 to USD 91.8 million in the corresponding period of 2021. By entity, this increase is generated mostly in Bank Audi Lebanon (USD 5.7 million net of Audi Private Bank contribution) witnessing to the efforts deployed throughout the year to generate additional fees, followed by Banque Audi (Suisse) with USD 6.8 million and Bank Audi France with USD 1.4 million amid a slight decrease of net commissions at Odea Bank.

Non-interest income accounted for 0.35% of average assets as at end-September 2021, almost the same level as end-September 2020. In parallel, net commissions accounted for 0.39% of average assets in the first nine months of 2021 compared to 0.27% in the corresponding period of 2020.

## TOTAL OPERATING EXPENSES

In the first nine months of 2021, the Bank's total operating expenses continued to contract, registering a decrease by USD 28 million, or 8.3% relative to the corresponding period of last year. Total operating expenses reached USD 311 million in the first nine months of 2021, broken down over USD 173 million of staff expenses, USD 101 million of other operating expenses and USD 36 million of amortisation and depreciation expenses. By geography, entities operating in Lebanon account for 63.8% of the consolidated general operating expenses, with the remainder accounted for by entities operating outside Lebanon.

The above mentioned flows translated in a 11.7% improvement in the Bank's cost to income ratio from 47.2% in the first nine months of 2020 to 35.5% in the first nine months of 2021.

## COMPONENTS OF ROAA AND ROAE

What follows is an analysis of the profitability ratio at consolidated level based on normalised profits. As at end-September 2021, Bank Audi's normalised return on average assets stood at 2.35% compared to 1.21% as at end-September 2020.






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

### KEY PERFORMANCE METRICS

| | 9M-20(*) | 9M-21 | YOY change |
|---|---|---|---|
| Spread | 2.22% | 3.38% | 1.16% |
| + Non-interest income/AA | 0.32% | 0.35% | 0.02% |
| = Asset utilisation | 2.54% | 3.73% | 1.18% |
| X Net operating margin | 47.54% | 63.16% | 15.62% |
| *o.w. Cost to income* | 47.21% | 35.48% | -11.73% |
| *o.w. Provisons* | 3.14% | 0.85% | -2.29% |
| *o.w. Tax cost* | 2.11% | 0.51% | -1.60% |
| = ROAA | 1.21% | 2.35% | 1.15% |
| X Leverage | 12.56 | 11.10 | -1.47 |
| = ROAE | 15.17% | 26.11% | 10.94% |
| ROACE | 18.96% | 33.13% | 14.16% |

*(*) Based on normalised & restated 9M-20 results (excluding Egypt, Jordan, Iraq).*

02

# FINANCIAL STATEMENTS

# INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (UNAUDITED)

| | Notes | Unaudited for the Period from 1 January to 30 September 2021 LBP Million | Unaudited for the Period from 1 January to 30 September 2020(*) Restated LBP Million |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| Interest and similar income | | 1,896,888 | 2,407,215 |
| Interest and similar expense | | (690,740) | (1,454,691) |
| Net interest income | | 1,206,148 | 952,524 |
| Fee and commission income | | 185,579 | 163,281 |
| Fee and commission expense | | (180,117) | (638,464) |
| Net fee and commission (expense) | | 5,462 | (475,183) |
| Net (loss) gain on financial assets at fair value through profit or loss | | (930,193) | 127,286 |
| Net (loss) gain on sale of financial assets at amortised cost | | (12,320) | 31,708 |
| Non-interest revenues from financial assets at fair value through other comprehensive income | | 3,355 | 32 |
| Share of profit (loss) of associates under equity method | | - | (455) |
| Other operating income | | 33,464 | 14,043 |
| Total operating income | | 305,916 | 649,955 |
| Net impairment loss on financial assets | 4 | (11,219) | (165,819) |
| Net operating income | | 294,697 | 484,136 |
| Personnel expenses | | (310,226) | (305,800) |
| Other operating expenses | | (162,198) | (171,622) |
| Depreciation of property and equipment and right-of-use assets | | (40,141) | (49,498) |
| Amortisation of intangible assets | | (14,871) | (16,392) |
| Total operating expenses | | (527,436) | (543,312) |
| Operating loss | | (232,739) | (59,176) |
| Net (loss) gain on revaluation and disposal of fixed assets | | (1,219) | 121 |
| Loss before tax from continuing operations | | (233,958) | (59,055) |
| Income tax | | (6,693) | (47,705) |
| Loss for the period from continuing operations | | (240,651) | (106,760) |
| DISCONTINUED OPERATIONS | | | |
| Profit for the period from discontinued operations, net of tax | 16 | 78,856 | 106,760 |
| Loss for the period | | (161,795) | - |
| Attributable to: | | | |
| Equity holders of the parent | | (167,978) | (5,463) |
| *Loss for the period from continuing operations* | | (246,834) | (112,223) |
| *Profit for the period from discontinued operations* | 16 | 78,856 | 106,760 |
| Non-controlling interests | | 6,183 | 5,463 |
| *Profit for the period from continuing operations* | | 6,183 | 5,463 |
| *Profit for the period from discontinued operations* | | - | - |
| | | (161,795) | - |
| (Loss) earnings per share: | | | |
| | | LBP | LBP |
| Basic and diluted loss per share | | (280) | - |
| Basic and diluted loss per share from continuing operations | | (420) | (211) |
| Basic and diluted earnings per share from discontinued operations | | 140 | 211 |

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





# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (UNAUDITED)

| | Notes | Unaudited for the Period from 1 January to 30 September 2021 LBP Million | Unaudited for the Period from 1 January to 30 September 2020(*) Restated LBP Million |
|---|---|---|---|
| Loss for the period from continuing operations | | (240,651) | (106,760) |
| Profit for the period from discontinued operations | 16 | 78,856 | 106,760 |
| 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 | | (156,495) | (180,125) |
| Net foreign currency translation | | (156,495) | (180,125) |
| *Cash flow hedge* | | | |
| Net hedging gain (loss) arising during the period | | 3,460 | (9,671) |
| (Loss) gain reclassified to income statement | | (6,874) | 568 |
| Tax effects | | 683 | 1,934 |
| Net change in cash flow hedge | | (2,731) | (7,169) |
| *Debt instruments at fair value through other comprehensive income* | | | |
| Net urealised (loss) gain | | (18,121) | (19,783) |
| Tax effects | | 3,624 | 3,957 |
| Net loss (gain) on debt instruments at fair value through other comprehensive income | | (14,497) | (15,826) |
| Total other comprehensive loss that will be reclassified to the income statement in subsequent periods from continuing operations | | (173,723) | (203,120) |
| Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations | | | |
| *Remeasurement losses on defined benefit plans* | | | |
| Actuarial loss on defined benefits plans | | (482) | (96) |
| Net remeasurement losses on defined benefit plans | | (482) | (96) |
| *Equity instruments at fair value through other comprehensive income* | | | |
| Net unrealised gain | | 6,120 | 20 |
| Net unrealised gain on equity instruments at fair value through other comprehensive income | | 6,120 | 20 |
| Total other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations | | 5,638 | (76) |
| Other comprehensive loss for the period from continuing operations, net of tax | | (168,085) | (203,196) |
| Other comprehensive income for the period from discontinued operations, net of tax | | - | 9,282 |
| Total comprehensive loss for the period from continuing operations, net of tax | | (408,736) | (309,956) |
| Total comprehensive income for the period from discontinued operations, net of tax | 16 | 78,856 | 116,042 |
| Total comprehensive loss for the period, net of tax | | (329,880) | (193,914) |
| | | | |
| Equity holders of the parent | | (301,718) | (149,657) |
| Non-controlling interests | | (28,162) | (44,257) |
| | | (329,880) | (193,914) |

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2021 (UNAUDITED)

| | Notes | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|---|
| ASSETS | | | |
| Cash and balances with central banks | | 18,554,624 | 19,486,210 |
| Due from banks and financial institutions | | 2,962,594 | 2,167,959 |
| Loans to banks and financial institutions and reverse repurchase agreements | | 169,392 | 264,246 |
| Derivative financial instruments | 5 | 168,133 | 218,820 |
| Financial assets at fair value through profit or loss | 6 | 295,934 | 392,067 |
| Loans and advances to customers at amortised cost | 7 | 7,855,842 | 9,142,352 |
| Loans and advances to related parties at amortised cost | | 78,464 | 108,200 |
| Debtors by acceptances | | 26,834 | 17,892 |
| Financial assets at amortised cost | 8 | 7,711,475 | 7,787,493 |
| Financial assets at fair value through other comprehensive income | 9 | 1,507,717 | 1,518,373 |
| Investments in associates | | 82,748 | 113,923 |
| Property and equipment and right-of-use assets | | 591,178 | 635,928 |
| Intangible assets | | 69,936 | 81,081 |
| Assets obtained in settlement of debt | | 155,676 | 203,160 |
| Other assets | 10 | 1,827,138 | 1,685,441 |
| Deferred tax assets | | 54,651 | 53,656 |
| Goodwill | | 42,408 | 42,384 |
| Assets held for sale | 16 | - | 9,493,147 |
| TOTAL ASSETS | | **42,154,744** | 53,412,332 |
| LIABILITIES | | | |
| Due to central banks | 11 | 3,644,857 | 4,024,308 |
| Due to banks and financial institutions | | 755,227 | 1,375,285 |
| Due to banks under repurchase agreements | | 92,739 | 143,888 |
| Derivative financial instruments | 5 | 285,468 | 446,793 |
| Customers' deposits | 12 | 31,251,648 | 32,290,695 |
| Deposits from related parties | | 167,308 | 163,019 |
| Debt issued and other borrowed funds | | 1,237,728 | 1,317,813 |
| Engagements by acceptances | | 26,834 | 17,892 |
| Other liabilities | 13 | 358,507 | 446,253 |
| Current tax liabilities | | 11,777 | 78,748 |
| Deferred tax liabilities | | 6,072 | 6,018 |
| Provisions for risks and charges | 14 | 197,632 | 150,599 |
| Liabilities held for sale | 16 | - | 8,502,601 |
| TOTAL LIABILITIES | | **38,035,797** | 48,963,912 |
| SHAREHOLDERS' EQUITY – GROUP SHARE | | | |
| Share capital – common shares | | 982,859 | 982,859 |
| Share capital – preferred shares | | 10,020 | 10,020 |
| Issue premium – common shares | | 902,290 | 902,290 |
| Issue premium – preferred shares | | 894,480 | 894,480 |
| Cash contribution to capital | | 72,586 | 72,586 |
| Non-distributable reserves | | 1,869,717 | 2,209,661 |
| Distributable reserves | | 493,355 | 17,270 |
| Treasury shares | | (9,190) | (9,190) |
| Retained earnings | | (106,403) | 767,489 |
| Other components of equity | 15 | (962,062) | (753,456) |
| Reserves related to assets held for sale | 16 | - | (587,877) |
| Result of the period | | (167,978) | (225,147) |
| | | **3,979,674** | 4,280,985 |
| NON-CONTROLLING INTERESTS | | **139,273** | 167,435 |
| TOTAL SHAREHOLDERS' EQUITY | | **4,118,947** | 4,448,420 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | **42,154,744** | 53,412,332 |





## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (UNAUDITED)

| | Notes | Unaudited for the Period from 1 January to 30 September 2021 LBP Million | Unaudited for the Period from 1 January to 30 September 2020 LBP Million |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Loss before tax from continuing operations | | (233,958) | (59,055) |
| Profit before tax from discontinuing operations | | 100,431 | 161,323 |
| Adjustments for non-cash items: | | | |
| Depreciation and amortisation | | 60,088 | 83,094 |
| Net gain (loss) on financial instruments at amortised cost | | 12,320 | 31,708 |
| Net impairment loss on financial assets | | 28,276 | 186,281 |
| Share of net profit (loss) of associates | | - | (455) |
| Net (gain) loss on sale or disposal of fixed assets | | 1,342 | (121) |
| Provision for risks and charges | | 4,592 | 1,698 |
| Write-back of provision fir risk and charges | | (2,505) | (4,698) |
| Net loss on sale of subsidiaries | | (54,542) | - |
| | | (83,956) | 399,775 |
| Working capital adjustments | | | |
| Balances with central banks, banks and financial institutions maturing in more than 3 months | | 2,227,002 | 824,215 |
| Change in derivatives and financial assets held for trading | | (141,528) | 221,980 |
| Change in loans and advances to customers and related parties | | 4,641,235 | 2,582,505 |
| Change in other assets | | (102,973) | (278,938) |
| Change in deposits from customers and related parties | | (8,563,095) | (4,732,242) |
| Change in other liabilities | | (179,963) | 45,432 |
| Change in provision for risk and charges | | 3,554 | 13,597 |
| Cash from operations | | **(2,199,724)** | (923,676) |
| Provisions for risks and charges paid | | (10,143) | (7,138) |
| Taxation paid | | (76,895) | (63,523) |
| Net cash flows from operating activities | | **(2,286,762)** | (994,337) |
| INVESTING ACTIVITIES | | | |
| Change in financial assets – other than trading | | 3,567,096 | (244,162) |
| Purchase of property and equipment and intangibles | | (8,745) | (143,762) |
| Proceeds from sale of associate | | - | 11,238 |
| Proceeds from sale of property and equipment and intangibles | | 7,919 | 18,562 |
| Proceeds from sale of assets obtained in settlement of debts | | 120,241 | - |
| Net cash flows used in investing activities | | **3,686,511** | (358,124) |
| FINANCING ACTIVITIES | | | |
| Debt issued and other borrowed funds | | (80,085) | 192,233 |
| Lease liability payments | | (3,675) | (15,168) |
| Net cash flows used in financing activities | | **(83,760)** | 177,065 |
| CHANGE IN CASH AND CASH EQUIVALENTS | | **1,315,989** | (1,174,396) |
| Net foreign exchange difference | | (6,035) | (46,691) |
| Cash and cash equivalents at 1 January | | 6,379,003 | 6,513,047 |
| CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER | 17 | **7,688,957** | 5,291,960 |

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2021 (UNAUDITED)

| | Attributable to the Equity Holders of the Parent | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital - Common Shares | Share Capital - Preferred Shares | Issue Premium - Common Shares | Issue Premium - Preferred Shares | Cash Contribution to Capital | Non-distributable Reserves | Distributable Reserves | Treasury Shares | Retained Earnings | Other Components of Equity | Reserves Related to Assets Held for Sale | Result of the Period | Total | Non-controlling Interests | Total Shareholders' Equity |
| | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million | LBP Million |
| **Balance at 1 January 2021** | **982,859** | **10,020** | **902,290** | **894,480** | **72,586** | **2,209,661** | **17,270** | **(9,190)** | **767,489** | **(753,456)** | **(587,877)** | **(225,147)** | **4,280,985** | **167,435** | **4,448,420** |
| Net loss for the period | - | - | - | - | - | - | - | - | - | - | - | (167,978) | (167,978) | 6,183 | (161,795) |
| Other comprehensive loss | - | - | - | - | - | - | - | - | - | (133,740) | - | - | (133,740) | (34,345) | (168,085) |
| **Total comprehensive loss** | - | - | - | - | - | - | **-** | **-** | **-** | **(133,740)** | **-** | **(167,978)** | **(301,718)** | **(28,162)** | **(329,880)** |
| Appropriation of 2020 profits | - | - | - | - | - | 9,392 | - | - | (234,539) | - | - | 225,147 | - | - | - |
| Entities deconsolidated | - | - | - | - | - | (326,151) | - | - | (202,445) | (75,534) | 587,877 | - | (16,253) | - | (16,253) |
| Sale of FVTOCI | - | - | - | - | - | - | - | - | 18,801 | - | - | - | 18,801 | - | 18,801 |
| Transfer between reserves | - | - | - | - | - | (23,185) | 476,085 | - | (453,568) | 668 | - | - | - | - | - |
| Other movements | - | - | - | - | - | - | - | - | (2,141) | - | - | - | (2,141) | - | (2,141) |
| **Balance at 30 September 2021** | **982,859** | **10,020** | **902,290** | **894,480** | **72,586** | **1,869,717** | **493,355** | **(9,190)** | **(106,403)** | **(962,062)** | **-** | **(167,978)** | **3,979,674** | **139,273** | **4,118,947** |
| Balance at 1 January 2020 | 667,581 | 10,020 | 883,582 | 894,480 | 72,586 | 2,025,201 | 433,057 | (9,190) | 1,466,788 | (1,252,582) | - | (912,177) | 4,279,346 | 197,280 | 4,476,626 |
| Net loss for the period | - | - | - | - | - | - | - | - | - | - | - | (5,463) | (5,463) | 5,463 | - |
| Other comprehensive loss | - | - | - | - | - | - | - | - | - | (144,194) | - | - | (144,194) | (49,720) | (193,914) |
| Total comprehensive loss | - | - | - | - | - | - | - | - | - | (144,194) | - | (5,463) | (149,657) | (44,257) | (193,914) |
| Appropriation of 2019 profits | - | - | - | - | - | (9,179) | (110,125) | - | (792,873) | - | - | 912,177 | - | - | - |
| Discontinued operations (Note 16) | - | - | - | - | - | - | - | - | - | 590,899 | (590,899) | - | - | - | - |
| Capital increase | 315,278 | - | - | - | - | 315,278 | (315,278) | - | - | - | - | - | 315,278 | - | 315,278 |
| Cost of capital | - | - | - | - | - | - | (3,638) | - | - | - | - | - | (3,638) | - | (3,638) |
| Transfer between reserves | - | - | - | - | - | - | - | - | 2,609 | (2,609) | - | - | - | - | - |
| Other movements | - | - | - | - | - | 631 | (30) | - | (6,090) | - | - | - | (5,489) | - | (5,489) |
| Balance at 30 September 2020 | 982,859 | 10,020 | 883,582 | 894,480 | 72,586 | 2,331,931 | 3,986 | (9,190) | 670,434 | (808,486) | (590,899) | (5,463) | 4,435,840 | 153,023 | 4,588,863 |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AT 30 SEPTEMBER 2021





# NOTES' INDEX

# 1.0. | CORPORATE INFORMATION

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

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

The consolidated financial statements were authorised for issue in accordance with the Board of Directors' resolution on 18 November 2021.

## 1.1. MACROECONOMIC ENVIRONMENT

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

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

The difficulty in accessing foreign currencies led to the emergence of a parallel market to the peg whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the peg of 1,507.5 LBP/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, driving a currency crisis, high inflation and rise in the consumer price index.

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

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

(b) Introduced the Platform Rate, currently at 3,900 LBP/USD, 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.

(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.

Over the past few months, Lebanon has been opting for a partial removal of the different subsidies as a first step towards full subsidy removal. Subsidies on the food basket were totally removed in July, followed by the removal of subsidies on pharmaceuticals except for drugs related to chronic diseases. Subsidies on oil imports were gradually removed, after several adjustments of the oil platform exchange rate from LBP/USD 1,507.5 to LBP/USD 3,900 in June, to LBP/USD 8,000 in August, to LBP/USD 12,000 in September, and to LBP/USD 20,000 in October.

By end-October, Lebanon had removed most of its subsidies on basic imports, leaving a subsidy bill of less than USD 1 billion, against a bill of circa USD 5 billion over the past year. In fact, the Ministry of Energy opted in October for the black market exchange rate as a benchmark for the pricing of gasoline, diesel and butane gas.

The subsidy removal is expected to have significant additional inflationary effects (on top of the 416 percent inflation reported between September 2019 and September 2021), driven by the direct effects of the increase in oil prices on transport cost and housing energy, but also on the indirect effects caused by this supply push inflation on all other sectors in the economy.

Yet it is worth mentioning that the subsidy lifting has become a necessary evil following the significant drop in BdL liquid FX reserves to USD 13 billion, which is equivalent to the required FX deposits of banks at the Central Bank. In other words, the continuation of the subsidy would mean drawing on banks' required deposits at the Central Bank and ultimately putting at stake the quality of banks' customers' deposits.

The result was that inflation increased at an accelerating pace, eroding the real value of the local currency and "local" foreign currency bank accounts, and tossing Lebanon in close to hyperinflation and major economic collapse.

As a result of the unofficial capital controls, the multitude of exchange rates, the hyperinflation, and the potential repercussions of government reform measures on (i) the banks operating in Lebanon, and (ii) the Lebanese people's net worth, their local businesses and their local bank accounts, the Lebanese market saw the need to differentiate between onshore assets and offshore assets, foreign currency bank accounts that are subject to unofficial capital controls and those that are not subject to capital controls, onshore liabilities and offshore liabilities. 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" to designate local US Dollars bank accounts that are subject to unofficial capital controls, and "fresh funds" 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*

On 30 April 2020, the Council of Ministers approved the Lebanese government's Financial Recovery Plan (the Plan). The Plan relies on nine central and interrelated pillars, namely reviewing the peg policy; a comprehensive government debt restructuring; a comprehensive restructuring of the financial system addressing accumulated FX mismatches, embedded losses and resizing the banking sector (see below); a strong phased fiscal adjustment focused on improving tax compliance, streamlining expenditure and reforming the public sector; growth-enhancing reforms promoting a productive economy and enhancing the competitiveness of the Lebanese economy; a social sector reform; an ambitious anti-corruption strategy; an environmental reform; and international financial assistance to close the large external financing gap and finance the development of the infrastructures that are necessary to support the growth of the economy. On 10 August 2020, the Lebanese government resigned following the massive explosion at the Beirut Port. As of today, the Plan has not been implemented.

*Restructuring of the Banking Sector*

As per the Plan, the preliminary global estimation of losses will result from the restructuring of the Central Bank of Lebanon and impairment of assets held at the Central Bank of Lebanon; the impact of the economic crisis and the impairment of banks' loans portfolio; and the government debt restructuring and impairment of the government securities portfolio.

An Asset Quality Review will be conducted to assess the impairment losses on the private loans portfolio of the banking sector. The impact of losses and the recapitalisation needs will be determined on a bank by bank basis when a more granular plan is drawn, and further measures related to bank deposits will be determined. On a bank by bank basis, the Plan stipulates that large depositors could be offered voluntarily (for part of their deposits):

• Conversion into their bank's capital. New legal provisions will be needed.
• Conversion into tradable equity stakes in a newly established special Recovery Fund that will receive the proceeds of the ill-gotten assets tracking and recovery program.
• Conversion into long-dated, subordinated bank obligations with no or limited interest.

Banks will be asked to propose to authorities and relevant supervisory bodies business plans and restructuring/recapitalisation plans including mergers with or acquisitions by other domestic and foreign banks to address their structural funding issues and generate synergies. The new capital base will be rebuilt via capital raising in the market and a conversion of some deposits into shares. Fresh liquidity will be provided to the reorganised banking sector.

Conducting a full restructuring of the banking sector will require new legal powers for the government and the relevant supervisory bodies.

*New Plan by the Newly Formed Cabinet*

Following the formation of a new Cabinet chaired by PM Mikati in September 2021 with the aim of overlooking parliamentary elections, enacting an IMF program, launching long awaited reforms and acquiring international assistance, a new Economic Recovery Plan is now being prepared. While the Cabinet formation represents by itself an important breakthrough, after 13 months of standstill, real challenges continue to persist amid structural weaknesses, large financial imbalances and continuing politico-economic uncertainties.

The success of the new Cabinet looking forward depends on the launch of serious structural, fiscal and financial reforms, a full-fledge program with the IMF (with the Fund acting as a watchdog over reform implementation), and the materialisation of international assistance for Lebanon (given the leverage the IMF has over foreign donors at large).

The new Cabinet launched its IMF negotiation process by forming a ministerial team to negotiate with the International Monetary Fund, a key demand of donors, in a positive signal to the international community about the new government's intention to press on with the talks with the IMF on a bailout package.

Headed by Deputy Premier Saadeh Shami (an ex-IMF executive), the team includes Finance Minister Youssef Khalil, Economy Minister Amin Salam, and Central Bank Governor Riad Salameh.

The IMF will engage in an assistance to Lebanon if it reaches an agreement for a program with the Lebanese government, which in turn rests on a number of conditions, namely agreeing on the amount of losses and its distribution over the different economic agents, ensuring the ratification of a capital control law unifying the currency's exchange rates, preparing an austere government budget, reforming the electricity sector, and adjusting the banking sector to bolster its governance and its ability to withstand pressure and regaining its role as a credible counterpart to build on. If such conditions are met, Lebanon can actually see the ratification of an agreement with the IMF, which could pave the way for a material trend reversal for its economy at large and put an end to the huge macro and socioeconomic pressures that were witnessed over the past couple of years.

*Alternative Plan Submitted by the Association of Banks in Lebanon*

The Association of Banks in Lebanon (ABL) has finalised its new plan for economic and financial recovery in Lebanon, but its Board of Directors have yet to adopt it formally.

The suggested reforms aim at restoring macro-economic stability and would be a precondition for any IMF support, and those aiming at rekindling growth, namely:

• Negotiate an IMF program.
• Launch the reconstruction of the Port of Beirut.
• Enact governance and integrity legislation.
• Reform the current customs system.
• Revamp Electricité du Liban.
• Fill the infrastructure gap.
• Rationalise and expand social safety nets.
• Progress towards fiscal consolidation on both revenues and expenditure sides.
• Negotiate with creditors and re-establish BdL solvency.
• Reduce the procedures to start a business.

ABL suggests to establish the Lebanese Investment Corporation ("LIC") as a Lebanese s.a.l. that would pool state assets. The State would remain the owner of the assets, but the LIC would be in charge of managing them to maximise their monetisation to discharge BdL of all Lebanese law claims held against the government of Lebanon. The operation would unfold as follows: (a) issue 100% of the LIC's common stock to the government of Lebanon in exchange for Lebanon's ownership/domain on SOEs, inland real estate, and coastal land; and (b) issue 100% of the LIC's non-voting preferred stock to BdL in exchange for the total and final discharge of all Lebanese-law claims against Lebanon held by

BdL.

As for the banking sector, ABL's plan suggests to restructure the banking sector as Lebanon's large and dynamic banking sector has been hit particularly hard by the monetary and financial crises. The balance sheets of Lebanese banks have been severely impaired, preventing them from funding the recovery going forward. The consolidation of the sector should however be conducted on a case-by case basis, under the auspices of the regulator (i.e. BdL), based on individual business plans and recapitalisation plans. To ensure the consolidation is set to last, the banking sector's oversight framework could be adjusted too: Lebanese banks' performance at containing money laundering and terrorism financing has been acknowledged and lauded, and should be further strengthened with a corporate governance code aiming at more transparency and oversight of banks' management.

ABL plan also suggests a recapitalization of viable banks and merger/ resolution of those too weak to operate should be the main driver of the banking sector reform. In addition, Lebanese banks will need to re-focus their activity into financing private sector activity, with a particular focus on high-growth, dollar-generating businesses. It likewise suggests an update an earlier review of banks' governance structures, notably at the level of boards, senior management, risk and internal audit frameworks and quality of disclosure (including peer and external benchmarking). It also suggests to review BdL governance-related circulars and create a consolidated bank corporate governance code (to be applicable on a comply-or-explain basis with some mandatory provisions) and require banks to review their governance frameworks with a view to align them to the recommendations of the new code (within timelines to be specified in the code/circular).

*Beirut Port Explosion*

On 4 August 2020, a large explosion occurred at the port of the city of Beirut, causing casualties and material damages across the capital of Lebanon. The Beirut Port explosion affected several individuals and businesses, and contributed to further deterioration of the economic environment and disruption of businesses, leading to further expected credit losses charges. The World Bank estimated the direct and indirect damages to the Lebanese economy as a result of the Beirut Port explosion at circa USD 8 billion. The probe into the Beirut port explosion is facing serious obstacles and challenges, generating wide political division and corollary bickering, which turned into deadly street demonstrations by the closing of this report.

*COVID-19*

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

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

Future impairment charges, already subject to high uncertainty and volatility due to the severe crisis in Lebanon, may be subject to further uncertainty and volatility as a result of the COVID-19 pandemic and related containment and lock down measures. In the first nine months of 2021, the volatility in the pandemic continues worldwide, despite an increase in the global vaccination rate which reached 48.7% worldwide at the date of this report, amid the emergence of new Corona strains. Within this context, number of COVID-19 cases have relatively resurged in Lebanon within a vaccination rate at 25.5% of the population, still below the global average. Consequently, more adverse economic scenarios and macro-economic variables with higher probabilities are considered for expected credit losses financial impact.

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

## 1.2. REGULATORY ENVIRONMENT

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

• Basic Circular 149 issued on 3 April 2020 and announcing the creation of a special unit at the Central Bank of Lebanon to conduct FOREX operations as per the Platform Rate. An electronic platform will be created encompassing the Central Bank of Lebanon, banks and money dealers for FOREX operations.

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

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

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

• Intermediate Circular 567 issued on 26 August 2020, which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, while loss rates applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currencies and exposures to the Central Bank of Lebanon in local currency remained the same (0%, 1.89% and 0% respectively). The circular however changed the requirement for the recognition of expected credit losses in banks' financial statements from applying at a "maximum" the loss rate adopted for regulatory expected credit losses calculations, to applying it at a "minimum". In addition, the circular introduced the following measures:

- Allowing banks to constitute the expected credit losses on exposures to Lebanese sovereign and the Central Bank of Lebanon, progressively over a period of five years, noting that the Central Bank of Lebanon's Central Council may accept to extend the term to 10 years for banks that manage to complete the 20% cash contribution to capital requirement.

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

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

- Prohibiting banks from distributing dividends on common shares for the years 2019 and 2020.

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

- Changing the treatment of revaluation of fixed assets reserve for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 (previously 50% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain.

- Banks must comply with the minimum capital adequacy ratios and are forbidden from distributing profits if these ratios drop below 7% for Common Equity Tier 1, 10% for Tier 1 and 12% for total capital. Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1. When the buffer is drawn down, banks are required to rebuild it. However, under exceptional circumstances, the buffer may be drawn down during 2020 and 2021, but must be rebuilt progressively starting 2022, by at least 0.75% each year, to reach the minimum required of 2.5% by end of 2024.

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

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

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

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

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

- Requesting from banks to maintain a current account with a foreign correspondent bank offshore, free of any obligations (liquidity abroad). Such an account shall be at no time less than 3% of the Bank's total foreign currency deposits as at 31 July 2020, by 28 February 2021.

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

• Intermediate Circular 568 issued on 26 August 2020 and allowing the payments of retail loans denominated in US Dollars in Lebanese Pounds based on the official exchange rate of LBP 1,507.5 per US Dollar subject

to the following conditions:
- The client should be a Lebanese resident.
- The client should not have a bank account denominated in US Dollars.
- The housing loans granted to the client should not exceed USD 800,000 while the aggregate amount of retail loans should not exceed USD 100,000 per client.

• Intermediate Circular 575 issued on 5 November 2020 states that banks should book one third of the capital gains arising from the revaluation of fixed assets held in settlement of debt under Tier 2 capital based on the following binding conditions:
- The Central Bank of Lebanon's Central Council investigating and approving at the expense of the concerned bank the validity of the revaluation process.
- Raising the capital before 31 December 2021, as follows:
  • Add a maximum of one third of the revaluation gains under Tier 2 capital.
  • Increase Common Equity Tier 1 capital in cash by an amount at least equivalent to the amount of the revaluation gains booked under Tier 2 capital.

• Basic Circular 157 issued on 10 May 2021 and setting the framework of exceptional measures for foreign-currency operations. Hence, banks operating in Lebanon must process customers' FX operations (buy and sell) related to their personal or commercial needs on the electronic platform "Sayrafa". Transactions with customers encompass purchase and sale of foreign currency 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 such as:
- The obligation for the customer to be a physical person.
- The need to perform the computation on the outstanding balance at 31 March 2021 in foreign currency on the condition that (i) funds in foreign currency existed prior to 31 October 2019, (ii) balances do not exceed balances as at 31 October 2019, and (iii) funds are still maintained on the date of issuance of the circular.
The prior obligation to conform to provisions of BdL Basic Circular 154 with regards to repatriation of funds which have exited from the Lebanese banking sector subject to certain criteria.
- Waiver from customer to benefit from his rights as per BdL 151 (withdrawing USD from his foreign currencies accounts at a rate of LBP/USD of 3,900) as long as he benefits from the provision of BdL Basic Circular 158.

Once the customer fulfils the aforementioned conditions, his creditor accounts are aggregated with his share in joint accounts after deducting (i) amounts converted from LBP to USD after 31 October 2019, (ii) cash collaterals against facilities granted, and (iii) portion of his loans in foreign currencies which have been repaid in LBP under provisions of BdL Intermediary Circular 568.

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

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

During the first three months of the circular's application, a limited number of customers (3,995 customers representing USD 64 million) expressed their intention to benefit from the provisions of the circular. Since then, demand has surged, and applications received more than doubled in terms of number of applicants and volume. As at 25 October 2021, the number of customers reached 11,371 and their corresponding share of eligible funds amounted to USD 153.1 million, of which USD 38.3 million represent the outright payment from the Bank's liquidity position when all payments are settled.

• 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, and (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other bank accounts in foreign currencies, whether directly or indirectly.







## 1.3. PARTICULAR SITUATION OF THE GROUP

Assets and liabilities in foreign currency, transactions in foreign currency and foreign currency translation reserves, regardless of whether they are onshore or offshore, were reflected in these financial statements at the official exchange rate of 1,507.5 LBP/USD, in line with IAS 21 due to the lack of an alternative legal exchange mechanism. 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 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. Accordingly, translation of all assets and liabilities and foreign currency transactions at the official exchange rate 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 financial statements. In the absence of an alternative legal exchange mechanism, we are unable to estimate the effects on these financial statements and these financial statements do not include adjustments from any future change in the official exchange rate and/or alternative legal exchange mechanism. The impact of the valuation of the assets and liabilities in foreign currencies at a different rate is expected to be significant and will be recognised in these financial statements once the revamping of the peg and/or a new legal exchange mechanism is implemented by the Lebanese government.

As at 30 September 2021, loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities held at amortised cost, excluding loss allowances on Lebanese Eurobonds denominated in foreign currencies, are recorded in these financial statements at the loss rates mentioned in the Central Bank of Lebanon's Intermediate Circular 567. Due to the high levels of uncertainties, the lack of observable indicators, and the lack of visibility on the government's plans with respect to banks' exposure to the Central Bank of Lebanon and Lebanese sovereign, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit loss model. The impact is expected to be pervasive and will be reflected in the financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. With respect to Lebanese government Eurobonds held by the Group at 31 December 2019, Management recorded in the consolidated income statement for 2019 the expected credit losses on these financial assets based on the cash flows that the Group expects to receive. During 2020, most of these assets were disposed of with no significant impact on the Group's income statement. 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 22 to these financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. The deterioration was further aggravated by the effects of the COVID-19 pandemic and the significant high inflation in Lebanon. Since the start of the Lebanese Crisis, the Bank has been implementing a de-risking strategy by considerably reducing its assets size, specifically its portfolio of private loans concentrated in Lebanon. It has also set up a centralised and specialised remedial function to proactively review and manage the quality of its various portfolios. The Bank has recorded significant amounts of expected credit losses during the last quarter of 2019 and during 2020. Loss allowances on the Group's portfolio of these private loans have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Group's portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in Note 22 to these financial statements.

The financial position of the Group, as reported in these 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 Platform Rate and the official exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of 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.

Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. Unofficial capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. Meanwhile, the Group is exerting extended efforts to (a) strengthen its capitalisation, (b) enhance the quality of its private loans portfolio, deleveraging it as appropriate and downsizing its balance sheet, (c) build up its offshore liquidity and reduce its commitments and contingencies to correspondent banks and financial institutions outside Lebanon, and (d) manage operating profitability.

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

On 1 October 2020, the Bank received a letter from the Central Bank of Lebanon, referring to Basic Circular 154 and Intermediate Circular 567, and requesting the Bank to submit a roadmap that sets out the following:
• The Bank's overall strategy for the years 2020-2024.
• The Bank's assessment of its portfolio of private loans and expected credit losses as at 31 December 2020, as well as total realised and expected losses for the year 2020.
• The amount of expected credit losses that have not been translated yet to foreign currencies.
• The capital needs to comply with the minimum required capital and the measures and sources that will be relied upon to cover the shortfall, when existing.
• The Bank's strategy with respect to its investments in foreign banks and branches.

• The mechanism to rectify any non-compliance with regulatory requirements.
• The measures that will be taken to rectify non-compliances with articles 154 and 153 of the Code of Money and Credit, if any.
• The measures that will be taken to attract foreign liquidity or "fresh funds" and to cover liquidity onshore and offshore commitments.

Within the prevalence of the above uncertainties, a tentative 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. It is hence implicit that a definitive 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.

Within the new set of aforementioned unprecedented challenges stemming from the new operating environment in Lebanon, 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 spill-over effects. In practise, Management adopted a new vision and direction revolving around six "going-concern" pillars, at both group and domestic levels pillars, with detailed actions for each of those pillars included in the submitted tentative roadmap. These pillars are as follows:

1. Asset quality: to structurally enhance the quality of the Group's balance sheet. To that end, the Bank plans to sustain the loan deleveraging policy and strengthen loss allowances allocation for both the performing and NPL exposures, while closely monitoring the lending portfolios, taking early remedial actions on problematic files. In parallel, the Bank aims to 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 and increase diversification of income 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; to create 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 CSR principles to ensure sustainable development taking into account the economic, social and environmental parameters of our operations in Lebanon and abroad.

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

• Sale of the Bank's Egyptian subsidiary, as well as the Jordanian and Iraqi operations.
• In accordance with Central Bank of Lebanon Intermediary Circular 567, banks are required to increase their own funds (equity) by an amount equal to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments. The amount of increase required for the Bank is USD 622 million. On 18 February 2021, the Bank submitted to 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.
  - Proceeds from the sale of the Bank's Egyptian subsidiary, investment in Bank Audi Syria and Jordanian and Iraqi operations up to USD 316 million of which USD 301 million in fresh dollars.

The Bank obtained the formal approval of the regulators on 7 May 2021 on the aforementioned measures.
• Disposing of, during Q1-2020, the majority of its Republic of Lebanon (RoL) Eurobonds portfolio. As at 30 September 2021, Bank Audi sal's net exposure to RoL Eurobonds is only USD 21 million (USD 28 million on a consolidated basis).
• The Bank submitted to regulators an adjusted calculation for meeting the regulatory requirement of 3% liquidity ratio with foreign banks in accordance with Central Bank of Lebanon Basic Circular 154. The approval of the regulators for meeting this ratio is pending as of the date of these financial statements.
• Deleveraging the loan portfolio and increasing provisioning coverage during 2020: consolidated gross loans dropped by USD 5.1 billion (including the deconsolidation impact resulting from the sale of Bank Audi Egypt, Jordan and Iraq). Gross loans booked at Bank Audi sal alone dropped by USD 2.1 billion during the same period, representing a decrease of 43% from the December 2019 level.
• Re-establishing normal banking services with the active promotion of the "External Account" platform.
• Reaching agreements with several senior lenders on the revision of terms of payments.
• Improving operational efficiency and strengthening governance by:
  - Building up on the synergies achieved from the merger of both Audi Private Bank sal and Audi Investments Bank sal under Bank Audi sal.
  - Implementing a cost optimisation plan.

All of these measures have helped strengthen the Bank's financial position, including international liquidity and solvency metrics. As at September 2021, consolidated capital adequacy ratios stood at 10.5%, 13.1% and 14.8% for CET1, Tier 1 and Total CAR respectively, above the minimum required levels of 4.5%, 6% and 8% for 2020-2021 and 7%, 8.5% and 10.5% (including 2.5% capital conservation buffer) required by 2024. Part of the ratios' improvement between December 2020 and September 2021 is attributable to the deconsolidation of the Jordan and Iraq branches which took place in Q1-2021 and is expected to further improve with the deconsolidation of Bank Audi Egypt which was recently completed in April 2021.





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

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

The Bank is also uncertain whether the measures set out in its roadmap above would be sufficient to cover all its commitments as they become due and restore the activities of the Bank to normal pre-crisis levels. Such sufficiency and a reasonable and credible plan can only be achieved once the uncertainties from the prevailing crisis, the multitude of exchange rates, hyperinflation, the COVID-19 pandemic, the explosion of the Beirut port, as well as the implementation of a clear national fiscal and economic recovery plan are resolved.

The Lebanese Crisis which was set off during the last quarter of 2019 has imposed severe limitations on the ability to conduct Commercial Banking activities or transactions under the normal course of business in Lebanon in 2020 and in the first half of 2021. Market embedded factors, such as unofficial capital controls, inability to secure foreign liquidity and the existence of several values for the US Dollar, during the current fiscal year, resulted into several practices and transactions that would not qualify as normal course of business in a non-crisis environment, and for which there are no directly observable prices or a governing legal/regulatory framework. Such practices and transactions expose the Bank to increased litigation and regulatory risks, and negatively impact the financial position of the Bank, its regulatory ratios and covenants due the adverse effects of the uncertainties. There is a significant uncertainty in relation to the extent and period over which this situation will continue and the impact that conducting operations under a crisis environment in the foreseeable future will further have on the Group's financial position, future cash flows, results of operations, regulatory ratios and covenants. The Group's realisation value of assets and sufficiency and settlement value of liabilities are premised on future events, the outcome of which are inherently uncertain.

# 2.0. | ACCOUNTING POLICIES

## 2.1. BASIS OF PREPARATION

The interim condensed consolidated financial statements of Bank Audi sal for the nine-month period ended 30 September 2021 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

In addition, results for the nine months ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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

## 2.2. BASIS OF CONSOLIDATION

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

| | Percentage of Ownership | | | | |
|---|---|---|---|---|---|
| | 30 September 2021 | 31 December 2020 | Country of Incorporation | Principal Activity | Functional Currency |
| Bank Audi (France) sa | 100.00 | 100.00 | France | Banking (Commercial) | EUR |
| Banque Audi (Suisse) SA | 100.00 | 100.00 | Switzerland | Banking (Private) | CHF |
| Bank Audi sae | - | 100.00 | Egypt | Banking (Commercial) | EGP |
| Audi Capital (KSA) | 99.99 | 99.99 | Saudi Arabia | Financial Services | SAR |
| Bank Audi LLC (Qatar) | 100.00 | 100.00 | Qatar | Banking Services | QAR |
| Societe Libanaise de Factoring sal | 100.00 | 100.00 | Lebanon | Factoring | LBP |
| Odea Bank A.Ş. | 76.42 | 76.42 | Turkey | Banking (Commercial) | TRY |
| Audi Investments Holding sal | 100.00 | 100.00 | Lebanon | Investment | USD |

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

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

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

The financial statements of subsidiaries are prepared for the same reporting period using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full. Non-controlling interests (the interest not owned by the Group in the equity of subsidiaries) are stated separately within shareholders' equity in the interim condensed consolidated statement of financial position.

## 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 corporate and commercial customers including loans, deposits, trade finance, exchange of foreign currencies, as well as all regular Corporate and Commercial Banking activities.

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

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

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





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

### NET OPERATING INCOME INFORMATION

| | Unaudited 30 September 2021 | | | | |
|---|---|---|---|---|---|
| | Corporate and Commercial Banking LBP Million | Retail and Personal Banking LBP Million | Treasury and Capital Markets LBP Million | Group Functions and Head Office LBP Million | **Total LBP Million** |
| Net interest income | 243,984 | 409,782 | 537,437 | 14,945 | 1,206,148 |
| Non-interest income | | | | | |
| Net fee and commission income (expense) | (30,242) | 26,270 | 3,394 | 6,040 | 5,462 |
| Financial operations | (334,034) | (295,670) | (317,395) | 7,941 | (939,158) |
| Other operating income | 14,849 | 3,445 | 29 | 15,141 | 33,464 |
| **Total non-interest expense** | **(349,427)** | **(265,955)** | **(313,972)** | **29,122** | **(900,232)** |
| **Total operating income** | **(105,443)** | **143,827** | **223,465** | **44,067** | **305,916** |
| Net impairment loss on financial assets | (36,221) | 28,965 | (3,963) | - | (11,219) |
| **Net operating income** | **(141,664)** | **172,792** | **219,502** | **44,067** | **294,697** |

| | Unaudited 30 September 2020 Restated | | | | |
|---|---|---|---|---|---|
| | 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 | 196,172 | 292,712 | 439,515 | 24,125 | 952,524 |
| Non-interest income | | | | | |
| Net fee and commission income (expense) | (142,398) | (301,511) | (22,818) | (8,456) | (475,183) |
| Financial operations | 2,200 | 11,670 | 141,125 | 4,031 | 159,026 |
| Share of loss of associates | (455) | - | - | - | (455) |
| Other operating income | 158 | 2,387 | 489 | 11,009 | 14,043 |
| Total non-interest income | (140,495) | (287,454) | 118,796 | 6,584 | (302,569) |
| Total operating income | 55,677 | 5,258 | 558,311 | 30,709 | 649,955 |
| Net impairment loss on financial assets | (105,383) | (13,311) | (47,125) | - | (165,819) |
| Net operating income | (49,706) | (8,053) | 511,186 | 30,709 | 484,136 |

### FINANCIAL POSITION INFORMATION

| | Unaudited 30 September 2021 | | | | |
|---|---|---|---|---|---|
| | Corporate and Commercial Banking LBP Million | Retail and Personal Banking LBP Million | Treasury and Capital Markets LBP Million | Group Functions and Head Office LBP Million | **Total LBP Million** |
| Investments in associates | - | - | - | 82,748 | **82,748** |
| Total assets | 6,177,394 | 4,699,458 | 30,317,664 | 960,228 | **42,154,744** |
| Total liabilities | 6,658,666 | 24,912,705 | 5,407,344 | 1,057,082 | **38,035,797** |

| | Audited 31 December 2020 | | | | |
|---|---|---|---|---|---|
| | 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 | - | - | - | 113,923 | 113,923 |
| Total assets | 6,730,128 | 5,008,444 | 31,373,086 | 807,527 | 43,919,185 |
| Total liabilities | 6,628,318 | 25,811,718 | 7,065,197 | 956,078 | 40,461,311 |

Capital expenditures amounting to LBP 25,343 million at end of September 2021 (31 December 2020: LBP 31,839 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 1,218,244 million at end of September 2021 (30 September 2020: LBP 1,679,641 million) arising from time deposits with the Central Bank of Lebanon and financial instruments held by the Group.

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

| | Unaudited 30 September 2021 LBP Million | Unaudited 30 September 2020 Restated LBP Million |
|---|---|---|
| **Interest and similar income** | | |
| Central Bank of Lebanon | 901,830 | 1,277,068 |
| Lebanese sovereign | 316,414 | 402,573 |
| | 1,218,244 | 1,679,641 |

## 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

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

| | Unaudited 30 September 2020 Restated | | | |
|---|---|---|---|---|
| | Lebanon LBP Million | MENAT LBP Million | Europe LBP Million | Total LBP Million |
| Net interest income | 730,376 | 179,519 | 42,629 | 952,524 |
| Non-interest income | | | | |
| Net fee and commission (expense) | (608,617) | 52,197 | 81,237 | (475,183) |
| Financial operations | 155,586 | (11,396) | 14,836 | 159,026 |
| Share of loss of associates | (455) | - | - | (455) |
| Other operating income | 7,426 | 5,706 | 911 | 14,043 |
| Total non-interest income | (446,060) | 46,507 | 96,984 | (302,569) |
| Total external operating income | 284,316 | 226,026 | 139,613 | 649,955 |
| Net impairment loss on financial assets | (249,098) | 78,823 | 4,456 | (165,819) |
| Net external operating income | 35,218 | 304,849 | 144,069 | 484,136 |





### FINANCIAL POSITION INFORMATION

| | Unaudited 30 September 2021 | | | |
|---|---|---|---|---|
| | Lebanon LBP Million | MENAT LBP Million | Europe LBP Million | **Total LBP Million** |
| Capital expenditures | 15,475 | 9,208 | 660 | **25,343** |
| Investments in associates | 82,748 | - | - | **82,748** |
| Total assets | 29,664,012 | 7,629,977 | 4,860,755 | **42,154,744** |
| Total liabilities | 27,003,321 | 6,761,995 | 4,270,481 | **38,035,797** |

| | Audited 31 December 2020 | | | |
|---|---|---|---|---|
| | Lebanon LBP Million | MENAT LBP Million | Europe LBP Million | Total LBP Million |
| Capital expenditures | 11,224 | 19,365 | 1,250 | 31,839 |
| Investments in associates | 113,923 | - | - | 113,923 |
| Total assets | 30,815,595 | 8,220,621 | 4,882,969 | 43,919,185 |
| Total liabilities | 28,983,403 | 7,289,644 | 4,188,264 | 40,461,311 |

Segment reporting assets and liabilities as at 31 December 2020 do not include those held for sale and amounting to LBP 9,493,147 million and LBP 8,502,601 million respectively.

## 4. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

| | Unaudited 30 September 2021 LBP Million | Unaudited 30 September 2020 Restated LBP Million |
|---|---|---|
| Re-measurements: | | |
| Cash and balances with central banks | 28 | 45,721 |
| Due from banks and financial institutions | 499 | (37) |
| Loans and advances to customers at amortised cost | 121,521 | 261,768 |
| Financial assets at amortised cost | (894) | 1,441 |
| Financial guarantees and other commitments | 483 | 6,878 |
| | **121,637** | 315,771 |
| Recoveries: | | |
| Loans and advances to customers at amortised cost | (81,030) | (144,894) |
| Financial guarantees and other commitments | (3,261) | (30) |
| | **(84,291)** | (144,924) |
| Net direct recoveries | (26,127) | (5,028) |
| | **11,219** | 165,819 |

## 5. 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 pays 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 types of derivatives:

| 30 September 2021 (Unaudited) | Positive Fair Value LBP Million | Negative Fair Value LBP Million | Notional Amount LBP Million |
|---|---|---|---|
| Derivatives held for trading | | | |
| Forward foreign exchange contracts | 2,857 | 10,011 | 881,702 |
| Currency swaps | 103,029 | 80,926 | 3,966,048 |
| Precious metals swaps | 1,859 | 3 | 68,077 |
| Currency options | 20,001 | 15,385 | 1,591,269 |
| Interest rate swaps | 9,386 | - | 509,553 |
| Interest rate options | 22,913 | - | 1,537,850 |
| Credit derivatives | - | - | 155,424 |
| Equity options | 2,565 | 2,565 | 1,278 |
| | 162,610 | 108,890 | 8,711,201 |
| Derivatives held as fair value hedge | | | |
| Interest rate swaps | - | 176,578 | 1,582,875 |
| | - | 176,578 | 1,582,875 |
| Derivatives held as cash flow hedge | | | |
| Interest rate swaps | 5,523 | - | 347,209 |
| | 5,523 | - | 347,209 |
| Total | 168,133 | 285,468 | 10,641,285 |

| 31 December 2020 (Audited) | Positive Fair Value LBP Million | Negative Fair Value LBP Million | Notional Amount LBP Million |
|---|---|---|---|
| Derivatives held for trading | | | |
| Forward foreign exchange contracts | 14,364 | 7,406 | 824,919 |
| Forward precious metals contracts | - | 79 | 2,276 |
| Currency swaps | 134,698 | 138,870 | 4,197,319 |
| Precious metals swaps | 8 | 3,022 | 87,628 |
| Currency options | 15,395 | 18,280 | 1,035,522 |
| Interest rate swaps | 12,674 | - | 1,813,566 |
| Interest rate options | 38,682 | - | 1,585,032 |
| Credit derivatives | - | - | 230,443 |
| Equity options | 2,999 | 2,999 | 1,352 |
| | 218,820 | 170,656 | 9,778,057 |
| Derivatives held as fair value hedge | | | |
| Interest rate swaps | - | 276,137 | 1,582,875 |
| | - | 276,137 | 1,582,875 |
| Total | 218,820 | 446,793 | 11,360,932 |





## 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Lebanese sovereign and Central Bank of Lebanon | | |
| Treasury bills | 690 | 691 |
| Eurobonds | 175 | 143 |
| | 865 | 834 |
| Other sovereign | | |
| Treasury bills and bonds | 455 | 4,295 |
| Private sector and other securities | | |
| Banks and financial institutions | 246,697 | 325,426 |
| Loans and advances to customers | - | 7,124 |
| Mutual funds | 45,717 | 52,156 |
| Equity instruments | 2,200 | 2,232 |
| | 294,614 | 386,938 |
| | 295,934 | 392,067 |

## 7. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Corporate and SME | 6,622,767 | 7,441,872 |
| Retail and Personal Banking | 2,581,106 | 3,195,612 |
| Public sector | 63,726 | 68,464 |
| | 9,267,599 | 10,705,948 |
| Less: allowance for expected credit losses (Note 22) | (1,411,757) | (1,563,596) |
| | 7,855,842 | 9,142,352 |

## 8. FINANCIAL ASSETS AT AMORTISED COST

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Lebanese sovereign and Central Bank of Lebanon | | |
| Certificates of deposit | 3,925,694 | 4,052,447 |
| Treasury bills | 3,334,781 | 3,330,377 |
| Eurobonds | 115,982 | 87,744 |
| | 7,376,457 | 7,470,568 |
| Other sovereign | | |
| Treasury bills | 32,797 | 40,305 |
| Eurobonds | 232,400 | 247,345 |
| | 265,197 | 287,650 |
| Private sector and other securities | | |
| Banks and financial institutions debt instruments | 149,241 | 100,928 |
| Corporate debt instruments | 68,630 | 76,686 |
| | 217,871 | 177,614 |
| | 7,859,525 | 7,935,832 |
| Less: allowance for expected credit losses (Note 22) | (148,050) | (148,339) |
| | 7,711,475 | 7,787,493 |

During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities, that qualifies for netting under the requirements of IAS 32. Accordingly, as at 30 September 2021, certificates of deposit amounting to LBP 2,638,000 million (31 December 2020: the same) and term borrowings from the Central Bank of Lebanon are reported on a net basis on the statement of financial position. At 30 September 2021, Lebanese Treasury bills of LBP 1,979,141 million were pledged against term borrowings from the Central Bank of Lebanon (2020: the same) (Note 11). In addition, the Group, in agreement with credit-linked depositors, settled deposits amounting to LBP 419,848 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollars having the same nominal amount (31 December 2020: LBP 371,261 million) (Notes 10 and 12).

The Lebanese government Eurobonds were acquired during 2018 against a leverage arrangement with the Central Bank of Lebanon. During 2019, the amortised cost was adjusted by an amount equivalent to the present value of expected future cash flows from 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.

## 9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Debt instruments | | |
| *Other sovereign* | | |
| Treasury bills and bonds | 1,120,937 | 1,158,840 |
| Private sector and other securities | | |
| Banks and financial institutions debt instruments | 324,687 | 293,819 |
| | **1,445,624** | 1,452,659 |
| Equity instruments | | |
| Quoted | 176 | 176 |
| Unquoted | 61,917 | 65,538 |
| | **62,093** | 65,714 |
| | **1,507,717** | 1,518,373 |

## 10. OTHER ASSETS

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Advances on acquisition of property and equipment | 30,054 | 4,558 |
| Advances on acquisition of intangible assets | 3,111 | 2,878 |
| Prepaid charges | 28,632 | 36,945 |
| Electronic cards and regularisation accounts | 24,371 | 25,342 |
| Receivables related to non-banking operations | 4,071 | 19,534 |
| Advances to staff | 29,907 | 37,461 |
| Hospitalisation and medical care under collection | 42,955 | 43,764 |
| Interest and commissions receivable | 1,402 | 1,115 |
| Funds management fees | 58 | 51 |
| Fiscal stamps, bullions and commemorative coins | 945 | 1,119 |
| Management and advisory fees receivable | 429 | 353 |
| Tax regularisation account | 15,813 | 14,394 |
| Other debtor accounts | 342,390 | 163,324 |
| Receivables from Central Bank of Lebanon under leverage arrangements | 1,303,000 | 1,334,603 |
| | **1,827,138** | 1,685,441 |

As at 30 September 2021, other debtors' accounts include an amount of LBP 38,282 million representing collateral under process of being repossessed against settlement of loans (31 December 2020: LBP 76,362 million).

**Receivables from the Central Bank of Lebanon under Leverage Arrangements**

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 1,029,538 million as at 30 September 2021 (31 December 2020: LBP 1,036,598 million).





During 2018, the Group entered into leverage arrangements with the Central Bank of Lebanon against simultaneous time deposits with the latter denominated in US Dollars. During 2020, time deposits were derecognised for the acquisition of certificates of deposit. In agreement with credit-linked depositors, the Group settled deposits, at 30 September 2021, amounting to LBP 419,848 million in such certificates of deposit having the same nominal amount (31 December 2020: LBP 371,261 million) (Notes 8 and 12). 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 (loss) gain on financial assets at fair value through profit or loss. Remaining balance related to this transaction amounted to LBP 273,462 million as at 30 September 2021 (31 December 2020: LBP 298,005 million).

## 11. DUE TO CENTRAL BANKS

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Central Bank of Lebanon | | |
| Subsidised loans | 613,883 | 691,990 |
| Term borrowings under leverage arrangements | 1,979,141 | 1,979,141 |
| Other borrowings | 721,112 | 720,731 |
| Accrued interest | 21,057 | 13,760 |
| Other central banks | | |
| Other borrowings | 40,923 | 34,668 |
| Repurchase agreements | 268,741 | 584,018 |
| | **3,644,857** | 4,024,308 |

### SUBSIDISED LOANS

As at 30 September 2021, subsidised loans consist of utilised amounts on facilities granted by the Central Bank of Lebanon for the purpose of lending to customers at subsidised rates in accordance with Decision No. 6116 dated 7 March 1996. Principals are repayable on monthly basis and based on the amounts withdrawn by the customers (31 December 2020: the same).

### TERM BORROWINGS UNDER LEVERAGE ARRANGEMENTS

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

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

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Leverage arrangements | | |
| Gross amounts | 10,790,245 | 11,104,631 |
| Amounts offset against[1] | | |
| Placement with the Central Bank of Lebanon | 6,173,104 | 6,487,490 |
| Certificates of deposit with the Central Bank of Lebanon (Note 8) | 2,638,000 | 2,638,000 |
| Net amounts reported on the balance sheet | **1,979,141** | 1,979,141 |
| Financial collateral | | |
| Lebanese Treasury bills (Note 8) | 1,979,141 | 1,979,141 |
| | **1,979,141** | 1,979,141 |

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

Financial assets and financial liabilities that were settled on a net basis amounted to LBP 3,081,785 million (31 December 2020: LBP 2,767,399 million).

## REPURCHASE AGREEMENTS

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

| | **Unaudited 30 September 2021 LBP Million** | Audited 31 December 2020 LBP Million |
|---|---|---|
| Financial assets at amortised cost - Non-Lebanese government bonds | **28,458** | 31,409 |
| Financial assets at fair value through comprehensive income - Non-Lebanese government bonds | **240,283** | 552,641 |

## 12. CUSTOMERS' DEPOSITS

| | Unaudited 30 June 2021 | | | |
|---|---|---|---|---|
| | Corporate and SME LBP Million | Retail and Personal Banking LBP Million | Public Sector LBP Million | **Total LBP Million** |
| Sight deposits | 3,070,871 | 12,656,595 | 27,427 | 15,754,893 |
| Time deposits | 1,477,768 | 12,302,569 | 5,177 | 13,785,514 |
| Saving accounts | 66,983 | 1,457,529 | - | 1,524,512 |
| Margins on LC's and LG's | 75,757 | 17,223 | 85 | 93,065 |
| Other margins | 585 | - | - | 585 |
| Other deposits | 2,624 | 90,455 | - | 93,079 |
| | **4,694,588** | **26,524,371** | **32,689** | **31,251,648** |
| Deposits pledged as collateral | | | | **3,722,029** |

| | Audited 31 December 2020 | | | |
|---|---|---|---|---|
| | Corporate and SME LBP Million | Retail and Personal Banking LBP Million | Public Sector LBP Million | Total LBP Million |
| Sight deposits | 3,480,570 | 9,589,550 | 37,549 | 13,107,669 |
| Time deposits | 2,749,656 | 12,398,039 | 5,644 | 15,153,339 |
| Saving accounts | 234,362 | 3,428,073 | - | 3,662,435 |
| Margins on LC's and LG's | 95,397 | 11,683 | 85 | 107,165 |
| Other margins | 587 | 146 | - | 733 |
| Other deposits | 3,524 | 90,080 | - | 93,604 |
| Bankers' drafts | - | 165,750 | - | 165,750 |
| | 6,564,096 | 25,683,321 | 43,278 | 32,290,695 |
| Deposits pledged as collateral | | | | 3,462,811 |

Sight deposits include balances of bullion amounting to LBP 270,655 million (31 December 2020: LBP 302,707 million) which were carried at fair value through profit or loss.

Time deposits include balances amounting to LBP 155,424 million as at 30 September 2021 (31 December 2020: LBP 230,443 million), whereby the principal is settled at maturity according to the full discretion of the Group either in cash or in Lebanese government Eurobonds. In agreement with such depositors, the Bank settled deposits amounting to LBP 419,848 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollars and having the same nominal amount (31 December 2020: LBP 371,261 million) (Notes 8 and 10).

Bankers' drafts as at 31 December 2020 consist of checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other Lebanese banks.





## 13. OTHER LIABILITIES

| | **Unaudited 30 September 2021 LBP Million** | Audited 31 December 2020 LBP Million |
|---|---|---|
| Lease liabilities | 32,627 | 42,416 |
| Accrued expenses | 52,382 | 58,953 |
| Miscellaneous suppliers and other payables | 25,459 | 31,928 |
| Operational taxes | 76,394 | 134,345 |
| Employee accrued benefits | 6,424 | 4,037 |
| Electronic cards and regularisation accounts | 30,868 | 31,360 |
| Social security dues | 3,764 | 3,898 |
| Deferred interest payable | 26,518 | 18,739 |
| Other credit balances | 104,071 | 120,577 |
| | **358,507** | 446,253 |

## 14. PROVISIONS FOR RISKS AND CHARGES

| | **Unaudited 30 September 2021 LBP Million** | Audited 31 December 2020 LBP Million |
|---|---|---|
| Provisions for risks and charges | 101,316 | 46,618 |
| Provisions for ECL on financial guarantees and commitments | 18,772 | 23,853 |
| End-of-service benefits | 77,544 | 80,128 |
| | **197,632** | 150,599 |

## 15. OTHER COMPONENTS OF EQUITY

| | Unaudited 30 September 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Real Estate Revaluation Reserve LBP Million | Cumulative Changes in Fair Value LBP Million | Foreign Currency Translation Reserve LBP Million | Actuarial Loss on Defined Benefit Obligation LBP Million | Cash Flow Hedge Reserve LBP Million | **Total LBP Million** |
| **Balance at 1 January 2021** | **337,059** | **20,534** | **(1,078,654)** | **(12,451)** | **(19,944)** | **(753,456)** |
| Other comprehensive income from continuing operations | - | (6,432) | (125,620) | (482) | (1,206) | (133,740) |
| Entities deconsolidated | (75,568) | (11,516) | 11,550 | - | - | (75,534) |
| Transfer between reserves | 668 | - | - | - | - | 668 |
| **Balance at 30 September 2021** | **262,159** | **2,586** | **(1,192,724)** | **(12,933)** | **(21,150)** | **(962,062)** |

| | Unaudited 30 September 2020 | | | | | |
|---|---|---|---|---|---|---|
| | 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 2020 | 338,024 | 25,317 | (1,588,710) | (8,368) | (18,845) | (1,252,582) |
| Other comprehensive income from continuing operations | - | (7,791) | (138,300) | (96) | (7,289) | (153,476) |
| Other comprehensive income from discontinued operations | - | (4,716) | 13,998 | - | - | 9,282 |
| Transfer between reserves | (965) | (1,644) | - | - | - | (2,609) |
| Transfer related to assets held for sale | - | 2,344 | 588,555 | - | - | 590,899 |
| Balance at 30 September 2020 | 337,059 | 13,510 | (1,124,457) | (8,464) | (26,134) | (808,486) |

## 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 30 September represent the fair value differences from the revaluation of financial assets measured at fair value through other comprehensive income.

# 16. ASSETS AND LIABILITIES HELD FOR SALE

## BANK AUDI sae

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

## BANKING OPERATIONS IN JORDAN AND IRAQ

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





### ASSETS AND LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE:

| | Audited 31 December 2020 | | |
|---|---|---|---|
| | Bank Audi sae LBP Million | Jordan and Iraq Operations LBP Million | Total LBP Million |
| Cash and balances with central banks | 1,511,215 | 201,192 | 1,712,407 |
| Due from banks and financial institutions | 298,138 | 57,262 | 355,400 |
| Loans to banks and financial institutions and reverse repurchase agreements | 35,367 | - | 35,367 |
| Derivative financial instruments | 105 | - | 105 |
| Financial assets at fair value through profit or loss | 3,083 | - | 3,083 |
| Loans and advances to customers at amortised cost | 2,883,386 | 517,021 | 3,400,407 |
| Loans and advances to related parties at amortised cost | - | 325 | 325 |
| Debtors by acceptances | 18,180 | 6,388 | 24,568 |
| Financial assets at amortised cost | 636,837 | 366,771 | 1,003,608 |
| Financial assets at fair value through other comprehensive income | 2,645,689 | 3,613 | 2,649,302 |
| Property and equipment and right-of-use assets | 219,015 | 47,169 | 266,184 |
| Intangible assets | 23,818 | 1,357 | 25,175 |
| Assets obtained in settlement of debt | 780 | - | 780 |
| Other assets | 29,441 | 9,283 | 38,724 |
| Deferred tax assets | - | 12,560 | 12,560 |
| Total | 8,305,054 | 1,222,941 | 9,527,995 |
| Balance of impairment unallocated under IFRS 5 | - | (34,848) | (34,848) |
| Total assets classified as held for sale | 8,305,054 | 1,188,093 | 9,493,147 |
| Due to central banks | 1,935 | 51,602 | 53,537 |
| Due to banks and financial institutions | 296,355 | 17,330 | 313,685 |
| Derivative financial instruments | 75 | 17 | 92 |
| Customers' deposits | 6,955,912 | 969,157 | 7,925,069 |
| Deposits from related parties | - | 1,629 | 1,629 |
| Engagements by acceptances | 18,180 | 6,388 | 24,568 |
| Other liabilities | 54,713 | 33,829 | 88,542 |
| Current tax liabilities | 28,893 | 6,853 | 35,746 |
| Deferred tax liabilities | 29,925 | 957 | 30,882 |
| Provisions for risks and charges | 17,416 | 11,435 | 28,851 |
| Total liabilities classified held for sale | 7,403,404 | 1,099,197 | 8,502,601 |
| Net assets classified as held for sale | 901,650 | 88,896 | 990,546 |
| Reserves related to assets held for sale: | | | |
| Cumulative changes in fair value | 11,395 | - | 11,395 |
| Foreign currency translation reserve | (583,222) | (16,050) | (599,272) |
| | (571,827) | (16,050) | (587,877) |

The carrying value of the disposal group is stated after the elimination of internal balances between Bank Audi Egypt sae, Bank Audi Jordan and Bank Audi Iraq branches, and the remaining entities within the Group. Internal balances were considered in determining the carrying value of the disposal groups held for sale for the purposes of measuring the disposal group at the lower of carrying amount and fair value less costs to sell.

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

## ASSETS AND LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE:

| | Unaudited 30 September 2021 | | |
|---|---|---|---|
| | Bank Audi sae LBP Million | Jordan and Iraq Operations LBP Million | Total LBP Million |
| Interest and similar income | 213,999 | 9,786 | 223,785 |
| Interest and similar expense | (132,785) | (5,007) | (137,792) |
| Net interest income | 81,214 | 4,779 | 85,993 |
| Fee and commission income | 14,438 | 2,558 | 16,996 |
| Fee and commission expense | (1,450) | (356) | (1,806) |
| Net fee and commission income | 12,988 | 2,202 | 15,190 |
| Net gain on financial assets at fair value through profit or loss | 1,322 | 426 | 1,748 |
| Non-interest revenues from financial assets at fair value through other comprehensive income | 332 | - | 332 |
| Other operating income | 59 | 1 | 60 |
| Total operating income | 95,915 | 7,408 | 103,323 |
| Net impairment loss on financial assets | (16,577) | (480) | (17,057) |
| Net operating income | 79,338 | 6,928 | 86,266 |
| Personnel expenses | (16,561) | (2,631) | (19,192) |
| Other operating expenses | (14,021) | (1,965) | (15,986) |
| Depreciation of property and equipment and right-of-use assets | (2,886) | (682) | (3,568) |
| Amortisation of intangible assets | (1,224) | (284) | (1,508) |
| Total operating expenses | (34,692) | (5,562) | (40,254) |
| Operating profit | 44,646 | 1,366 | 46,012 |
| Net loss on revaluation and disposal of fixed assets | (123) | - | (123) |
| Profit before tax | 44,523 | 1,366 | 45,889 |
| Income tax | (21,052) | (523) | (21,575) |
| Profit for the period | 23,471 | 843 | 24,314 |
| Gain for the period from discontinued operations | 55,351 | (809) | 54,542 |
| Profit for the period from discontinued operations | 78,822 | 34 | 78,856 |





| | Unaudited 30 September 2020 | | |
|---|---|---|---|
| | Bank Audi sae LBP Million | Jordan and Iraq Operations LBP Million | Total LBP Million |
| Interest and similar income | 577,953 | 63,988 | 641,941 |
| Interest and similar expense | (368,803) | (27,776) | (396,579) |
| Net interest income | 209,150 | 36,212 | 245,362 |
| Fee and commission income | 36,226 | 16,290 | 52,516 |
| Fee and commission expense | (3,060) | (1,176) | (4,236) |
| Net fee and commission income | 33,166 | 15,114 | 48,280 |
| Net gain on financial assets at fair value through profit or loss | 4,836 | 2,992 | 7,828 |
| Net loss on sale on financial assets at amortised cost | - | (89) | (89) |
| Non-interest revenues from financial assets at fair value through other comprehensive income | 4,243 | - | 4,243 |
| Other operating income | 437 | 106 | 543 |
| Total operating income | 251,832 | 54,335 | 306,167 |
| Net impairment loss on financial assets | (20,080) | (382) | (20,462) |
| Net operating income | 231,752 | 53,953 | 285,705 |
| Personnel expenses | (46,077) | (16,489) | (62,566) |
| Other operating expenses | (35,530) | (9,082) | (44,612) |
| Depreciation of property and equipment and right-of-use assets | (8,212) | (3,673) | (11,885) |
| Amortisation of intangible assets | (3,648) | (1,671) | (5,319) |
| Total operating expenses | (93,467) | (30,915) | (124,382) |
| Operating profit | 138,285 | 23,038 | 161,323 |
| Profit before tax | 138,285 | 23,038 | 161,323 |
| Income tax | (48,942) | (5,621) | (54,563) |
| Profit for the period from discontinued operations | 89,343 | 17,417 | 106,760 |

Other comprehensive income relating to discontinued operations is as follows:

| | Unaudited 30 September 2020 | | |
|---|---|---|---|
| | Bank Audi sae LBP Million | Jordan Operations LBP Million | Total LBP Million |
| Profit for the period | 89,343 | 17,417 | 106,760 |
| Other comprehensive income that will be reclassified to the income statement in subsequent periods | | | |
| *Foreign currency translation* | | | |
| Exchange differences on translation of foreign operations | 13,850 | 151 | 14,001 |
| *Net foreign currency translation* | 13,850 | 151 | 14,001 |
| *Debt instruments at fair value through other comprehensive income* | | | |
| Net unrealised gain | (9,333) | - | (9,333) |
| Gain reclassified to income statement | 4,243 | - | 4,243 |
| Tax effects | 245 | - | 245 |
| *Net loss on debt instruments at fair value through other comprehensive income* | (4,845) | - | (4,845) |
| Total other comprehensive income that will be reclassified to the income statement in subsequent periods | 9,005 | 151 | 9,156 |
| Other comprehensive income that will not be reclassified to the income statement in subsequent periods | | | |
| *Equity instruments at fair value through other comprehensive income* | | | |
| Net unrealised gains | - | 126 | 126 |
| *Net unrealised gain on equity instruments at fair value through other comprehensive income* | - | 126 | 126 |
| Total other comprehensive income that will not be reclassified to the income statement in subsequent periods | - | 126 | 126 |
| Other comprehensive income for the period, net of tax | 9,005 | 277 | 9,282 |
| Total comprehensive income for the period, net of tax | 98,348 | 17,694 | 116,042 |

## 17. CASH AND CASH EQUIVALENTS

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million | Unaudited 30 September 2020 LBP Million |
|---|---|---|---|
| Cash and balances with central banks | 5,538,139 | 5,905,963 | 5,126,458 |
| Due from banks and financial institutions | 2,943,605 | 2,190,265 | 2,059,456 |
| Loans to banks and financial institutions and reverse repurchase agreements | 168,969 | 95,791 | 98,123 |
| Due to central banks | (40,922) | (618,643) | (452,658) |
| Due to banks and financial institutions | (828,095) | (1,050,485) | (793,456) |
| Due to banks under repurchase agreement | (92,739) | (143,888) | (745,963) |
| | 7,688,957 | 6,379,003 | 5,291,960 |

Cash and balances with central banks include amounts of LBP 1,344,516 million at 30 September 2021 (31 December 2020: LBP 2,051,126 million) representing mandatory reserve deposits and balances.

Cash and cash equivalents include balances in foreign currencies that are subject to unofficial capital controls and restricted transfers outside Lebanon. Accordingly, these balances are not considered readily convertible to known amounts of cash in the denomination currency without a risk of changes in value. However, the Group maintains their classification as cash and cash equivalents as they are freely transferrable within the Lebanese territory. These balances were as follows as at 30 September 2021 and 31 December 2020:

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Cash and balances with central banks | 1,161,090 | 1,146,190 |
| Due from banks and financial institutions | 6,830 | 97,091 |
| | 1,167,920 | 1,243,281 |

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The three levels of the fair value hierarchy are defined below:

### QUOTED MARKET PRICES – LEVEL 1

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

### VALUATION TECHNIQUE USING OBSERVABLE INPUTS – LEVEL 2

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

### VALUATION TECHNIQUE USING SIGNIFICANT UNOBSERVABLE INPUTS – LEVEL 3

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





### EFFECTS OF EXCHANGE RATES ON THE FAIR VALUE MEASUREMENTS:

The fair value disclosures for other assets and liabilities are first determined in their original currency, which is not the Lebanese Pound in the case of most of the assets and liabilities reported below. These are then translated to Lebanese Pounds at the official exchange rate of 1,507.5 LBP/USD in accordance with IAS 21, due to the lack of an alternative legal exchange mechanism. However, in light of the high deviation between the parallel market rate and the official exchange rates, Management estimates that the amounts reported in this note in LBP do not reflect a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated from the realisation of such assets or the payment of such liabilities at the date of the financial statements. In the absence of an alternative legal exchange mechanism, Management is unable to estimate the effects on the fair value measurement. This matter should be taken into consideration when interpreting the fair value disclosures in this note, especially those under Level 1 and Level 2. Classification within Levels 1 and 2 do not take into consideration the "lack of observability" of the exchange rate.

### FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

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

| | Unaudited 30 September 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 | 262 | 2,595 | - | 2,857 |
| Currency swaps | 16,944 | 86,085 | - | 103,029 |
| Precious metals swaps | 1,859 | - | - | 1,859 |
| Currency options | 7,599 | 12,402 | - | 20,001 |
| Interest rate swaps | - | 9,386 | - | 9,386 |
| Interest rate options | - | 22,913 | - | 22,913 |
| Equity options | 2,565 | - | - | 2,565 |
| *Derivatives held for cash flow hedge* | | | | |
| Interest rate swaps | - | 5,523 | - | 5,523 |
| | 29,229 | 138,904 | - | 168,133 |
| Financial assets at fair value through profit or loss | | | | |
| *Lebanese sovereign and Central Bank of lebanon* | | | | |
| Treasury bills | - | 690 | - | 690 |
| Eurobonds | 175 | - | - | 175 |
| *Other sovereign* | | | | |
| Treasury bills and bonds | 455 | - | - | 455 |
| *Private sector and other securities* | | | | |
| Banks and financial institutions | 246,697 | - | - | 246,697 |
| Mutual funds | - | 11,227 | 34,490 | 45,717 |
| Equity instruments | 25 | 2,175 | - | 2,200 |
| | 247,352 | 14,092 | 34,490 | 295,934 |
| Financial assets designated at fair value through other comprehensive income | | | | |
| *Debt instruments* | | | | |
| *Other sovereign* | | | | |
| Treasury bills and bonds | 1,120,937 | - | - | 1,120,937 |
| *Private sector and other securities* | | | | |
| *Banks and financial institutions* | 324,687 | - | - | 324,687 |
| Equity instruments | | | | |
| *Quoted* | 176 | - | - | 176 |
| Unquoted | - | 1,236 | 60,681 | 61,917 |
| | 1,445,800 | 1,236 | 60,681 | 1,507,717 |
| | 1,722,381 | 154,232 | 95,171 | 1,971,784 |

| | Unaudited 30 September 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 | 1,078 | 8,933 | - | 10,011 |
| Currency swaps | 2,822 | 78,104 | - | 80,926 |
| Precious metals swaps | 3 | - | - | 3 |
| Currency options | 7,599 | 7,786 | - | 15,385 |
| Equity options | 2,565 | - | - | 2,565 |
| *Derivatives held for fair value hedge* | | | | |
| Interest rate swaps | - | 176,578 | - | 176,578 |
| | 14,067 | 271,401 | - | 285,468 |
| Customers' deposits - sight | 270,655 | - | - | 270,655 |
| | 284,722 | 271,401 | - | 556,123 |





| | Audited 31 December 2020 | | | |
|---|---|---|---|---|
| | 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 | 485 | 13,879 | - | 14,364 |
| Currency swaps | 4,779 | 129,919 | - | 134,698 |
| Precious metals swaps | 8 | - | - | 8 |
| Currency options | 10,825 | 4,570 | - | 15,395 |
| Interest rate swaps | 378 | 12,296 | - | 12,674 |
| Credit derivatives | - | 38,682 | - | 38,682 |
| *Equity options* | 2,999 | - | - | 2,999 |
| | 19,474 | 199,346 | - | 218,820 |
| Financial assets at fair value through profit or loss | | | | |
| *Lebanese sovereign and Central Bank of Lebanon* | | | | |
| Treasury bills | - | 691 | - | 691 |
| Eurobonds | 143 | - | - | 143 |
| *Other sovereign* | | | | |
| Treasury bills and bonds | 4,253 | 42 | - | 4,295 |
| *Private sector and other securities* | | | | |
| Banks and financial institutions | 325,426 | - | - | 325,426 |
| Loans and advances to customers | - | 7,124 | - | 7,124 |
| Mutual funds | - | 6,051 | 46,105 | 52,156 |
| Equity Instruments | 14 | 2,218 | - | 2,232 |
| | 329,836 | 16,126 | 46,105 | 392,067 |
| Financial assets designated at fair value through other comprehensive income | | | | |
| *Debt instruments* | | | | |
| *Other sovereign* | | | | |
| Treasury bills | 1,158,840 | - | - | 1,158,840 |
| *Private sector and other securities* | | | | |
| Banks and financial institutions | 293,819 | - | - | 293,819 |
| *Equity instruments* | | | | |
| Quoted | 176 | - | - | 176 |
| Unquoted | - | 266 | 65,272 | 65,538 |
| | 1,452,835 | 266 | 65,272 | 1,518,373 |
| | 1,802,145 | 215,738 | 111,377 | 2,129,260 |
| FINANCIAL LIABILITIES | | | | |
| Derivative financial instruments | | | | |
| *Derivative financial instruments* | | | | |
| Derivatives held for trading | | | | |
| Forward foreign exchange contracts | 324 | 7,082 | - | 7,406 |
| Forward precious metals contracts | 79 | - | - | 79 |
| Currency swaps | 8,091 | 130,779 | - | 138,870 |
| Precious metals swaps | 3,022 | - | - | 3,022 |
| Currency options | 10,825 | 7,455 | - | 18,280 |
| Equity options | 2,999 | - | - | 2,999 |
| *Derivatives held for fair value hedge* | | | | |
| Interest rate swaps | - | 276,137 | - | 276,137 |
| | 25,340 | 421,453 | - | 446,793 |
| Customers' deposits - sight | 302,707 | - | - | 302,707 |
| | 328,047 | 421,453 | - | 749,500 |

### VALUATION TECHNIQUES USED FOR MATERIAL CLASSES OF FINANCIAL ASSETS AND LIABILITIES CATEGORISED WITHIN LEVEL 2 AND LEVEL 3:

Interest Rate Derivatives

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

Foreign Exchange Derivatives

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

Government Bonds, Certificates of Deposit and Other Debt Instruments

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

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

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

Funds and Equity Shares of Non-listed Entities

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

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

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

| | Unaudited 30 September 2021 | | Audited 31 December 2020 | |
|---|---|---|---|---|
| | Financial Instruments at Fair Value through Profit or Loss | Financial Instruments at Fair Value through Other Comprehensive Income | Financial Instruments at Fair Value through Profit or Loss | Financial Instruments at Fair Value through Other Comprehensive Income |
| FINANCIAL ASSETS | LBP Million | LBP Million | LBP Million | LBP Million |
| Balance at 1 January | 46,105 | 65,272 | 54,177 | 66,452 |
| Re-measurement recognised in other comprehensive income | - | (307) | - | (1,994) |
| Purchases | - | - | - | 1,103 |
| Sales | (11,615) | (4,095) | (8,072) | - |
| Foreign exchange difference | - | (189) | - | (289) |
| Balance at 30 September/31 December | 34,490 | 60,681 | 46,105 | 65,272 |

## 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

### FINANCIAL ASSETS AND LIABILITIES CONCENTRATED IN LEBANON

These assets consist of balances with the Central Bank of Lebanon and Lebanese banks, Lebanese government securities, loans and advances to customers and related parties, and customers' deposits. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in Note 1 and the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, Management is unable to produce faithful estimation of the fair value of these financial assets and liabilities.

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





## 19. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

### CREDIT-RELATED COMMITMENTS AND CONTINGENT LIABILITIES

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

| | Unaudited 30 September 2021 | | |
|---|---|---|---|
| | Banks LBP Million | Customers LBP Million | **Total LBP Million** |
| **Guarantees and contingent liabilities** | | | |
| Financial guarantees | 25,714 | 341,096 | 366,810 |
| Other guarantees | 134,323 | 765,591 | 899,914 |
| | **160,037** | **1,106,687** | **1,266,724** |
| **Commitments** | | | |
| Documentary credits | - | 299,425 | 299,415 |
| Loan commitments | - | 3,412,562 | 3,412,562 |
| *Of which revocable* | - | *2,713,048* | *2,713,048* |
| *Of which irrevocable* | - | *699,514* | *699,514* |
| | - | **3,711,987** | **3,711,987** |

| | Audited 31 December 2020 | | |
|---|---|---|---|
| | Banks LBP Million | Customers LBP Million | Total LBP Million |
| Guarantees and contingent liabilities | | | |
| Financial guarantees | 12,905 | 320,821 | 333,726 |
| Other guarantees | 11,846 | 747,109 | 758,955 |
| | 24,751 | 1,067,930 | 1,092,681 |
| Commitments | | | |
| Documentary credits | - | 201,855 | 201,855 |
| Loan commitments | - | 2,126,797 | 2,126,797 |
| *Of which revocable* | - | *1,270,945* | *1,270,945* |
| *Of which irrevocable* | - | *855,852* | *855,852* |
| | - | 2,328,652 | 2,328,652 |

### 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 11,590 million as of 30 September 2021 (31 December 2020: LBP 9,865 million).

## LEGAL CLAIMS

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such claims, many of which are beyond its control. At year-end, the Group had several unresolved legal claims in Lebanon and abroad, mainly those relating to the restrictive measures in place with respect to the withdrawal of funds and transfers abroad and a civil action filed in US federal courts in the US District Court in the Eastern District of New York (EDNY) against eleven Lebanese banks including Bank Audi sal asserting primary and secondary liability claims under the Anti-Terrorism Act ("ATA"). The extent of the impact of these matters cannot always be predicted but may materially impact the Group's operations, financial results, condition and prospects. However, once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on advice from legal counsel, and despite the novelty of certain claims and the uncertainties inherent in their unique situation, Management believes that legal claims will not result in any material financial loss to the Group, except as provided for in the financial statements.

## CAPITAL EXPENDITURE COMMITMENTS

| | Unaudited<br>30 September 2021<br>LBP Million | Audited<br>31 December 2020<br>LBP Million |
|---|---|---|
| Capital expenditure commitments | 2,118 | 3,541 |

## COMMITMENTS RESULTING FROM CREDIT FACILITIES RECEIVED

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

## OTHER COMMITMENTS AND CONTINGENCIES

Certain areas of the Lebanese tax legislation and the tax legislations where the subsidiaries operate are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities. The Bank's books in Lebanon for the years 2015 to 2017 (inclusive) are currently under review by the tax authorities. The outcome of this review cannot be determined yet. The Bank's books in Lebanon remain subject to the review of the tax authorities for the years 2018 to 2020 and the review of the National Social Security Fund (NSSF) for the period from 30 September 2011 to 30 September 2021. 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.





# 20. ASSETS UNDER MANAGEMENT

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

| | Unaudited<br>30 September 2021<br>LBP Million | Audited<br>31 December 2020<br>LBP Million |
|---|---|---|
| Assets under management | 12,073,738 | 11,464,773 |
| Fiduciary assets | 1,436,275 | 1,728,409 |
| | 13,510,013 | 13,193,182 |

# 21. RELATED-PARTY TRANSACTIONS

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

## SUBSIDIARIES

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

## ASSOCIATES AND OTHER ENTITIES

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

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

| | Unaudited<br>30 September 2021<br>LBP Million | Audited<br>31 December 2020<br>LBP Million |
|---|---|---|
| Loans and advances | 76,464 | 108,200 |
| *Of which: granted to Key Management Personnel* | *4,303* | *21,234* |
| *Of which: cash collateral received against loans* | *63,776* | *74,969* |
| Indirect facilities | 1,750 | 1,720 |
| Deposits | 167,308 | 163,019 |
| Interest income on loans | 853 | 1,747 |
| Interest expense on deposits | 3,697 | 1,242 |

## KEY MANAGEMENT PERSONNEL

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

| | Unaudited<br>30 September 2021<br>LBP Million | Unaudited<br>30 September 2020<br>LBP Million |
|---|---|---|
| Short-term benefits | 9,507 | 12,673 |
| Post-employment benefits | 178 | 646 |

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 1,709 million as of 30 September 2021 (31 December 2020: LBP 1,531 million).

During 2020, foreign currency international liquidity provided by related parties of USD 37 million was converted into local foreign currency deposits after the application of the "multiplier factor" and resulted in commission expenses of LBP 28,720 million.

## 22. CREDIT RISK

### EXPECTED CREDIT LOSSES

#### FINANCIAL ASSETS AND EXPECTED CREDIT LOSSES BY STAGE

The tables below present an analysis of financial assets at amortised cost by gross exposure and impairment allowance by stage allocation as at 30 September 2021 and 31 December 2020. The Group does not hold any purchased or originated credit-impaired assets as at year-end.

| | Gross Exposure | | | | Impairment Allowance | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 30 September 2021 (Unaudited) | Stage 1 LBP Million | Stage 2 LBP Million | Stage 3 LBP Million | Total LBP Million | Stage 1 LBP Million | Stage 2 LBP Million | Stage 3 LBP Million | Total LBP Million | Net Exposure LBP Million |
| Central banks | 2,656,272 | 15,090,465 | - | 17,746,737 | 293 | 218,991 | - | 219,284 | 17,527,453 |
| Due from banks and financial institutions | 2,940,318 | 22,451 | 528 | 2,963,297 | 514 | - | 189 | 703 | 2,962,594 |
| Loans to banks and financial institutions and reverse repurchase agreements | 168,969 | 4,023 | - | 172,992 | - | 3,600 | - | 3,600 | 169,392 |
| Loans and advances to customers at amortised cost | 6,268,480 | 1,711,289 | 1,287,830 | 9,267,599 | 307,490 | 288,434 | 815,833 | 1,411,757 | 7,855,842 |
| *Corporate and SME* | *4,091,957* | *1,632,385* | *898,425* | *6,622,767* | *195,349* | *265,374* | *538,700* | *999,423* | *5,623,344* |
| *Retail and Personal Banking* | *2,176,523* | *73,034* | *331,549* | *2,581,106* | *112,141* | *23,045* | *249,631* | *384,817* | *2,196,289* |
| *Public sector* | - | *5,870* | *57,856* | *63,726* | - | *15* | *27,502* | *27,517* | *36,209* |
| Loans and advances to related parties at amortised cost | 78,562 | - | - | 78,562 | 98 | - | - | 98 | 78,464 |
| Financial assets at amortised cost | 483,068 | 3,925,694 | 3,450,763 | 7,859,525 | 825 | 73,121 | 74,104 | 148,050 | 7,711,475 |
| Financial guarantees and other commitments | 2,214,385 | 75,377 | 2,735 | 2,292,497 | 13,447 | 2,590 | 2,735 | 18,772 | 2,273,725 |
| Total | 14,810,054 | 20,829,299 | 4,741,856 | 40,381,209 | 322,667 | 586,736 | 892,861 | 1,802,264 | 38,578,945 |

| | Gross Exposure | | | | Impairment Allowance | | | | |
|---|---|---|---|---|---|---|---|---|---|
| 31 December 2020 (Audited) | Stage 1 LBP Million | Stage 2 LBP Million | Stage 3 LBP Million | Total LBP Million | Stage 1 LBP Million | Stage 2 LBP Million | Stage 3 LBP Million | Total LBP Million | Net Exposure LBP Million |
| Central banks | 2,538,350 | 16,694,925 | - | 19,233,275 | 324 | 218,991 | - | 219,315 | 19,013,960 |
| Due from banks and financial institutions | 2,131,050 | 36,825 | 522 | 2,168,397 | 255 | - | 183 | 438 | 2,167,959 |
| Loans to banks and financial institutions and reverse repurchase agreements | 259,790 | 8,056 | - | 267,846 | - | 3,600 | - | 3,600 | 264,246 |
| Loans and advances to customers at amortised cost | 6,927,112 | 2,123,341 | 1,655,495 | 10,705,948 | 314,840 | 334,034 | 914,722 | 1,563,596 | 9,142,352 |
| *Corporate and SME* | *4,282,288* | *1,925,970* | *1,233,614* | 7,441,872 | *224,128* | *295,522* | *628,590* | *1,148,240* | *6,293,632* |
| *Retail and Personal Banking* | *2,644,824* | *191,804* | *358,984* | 3,195,612 | *90,712* | *38,450* | *257,527* | *386,689* | *2,808,923* |
| *Public sector* | - | *5,567* | *62,897* | 68,464 | - | *62* | *28,605* | *28,667* | *39,797* |
| Loans and advances to related parties at amortised cost | 108,363 | - | - | 108,363 | 163 | - | - | 163 | 108,200 |
| Financial assets at amortised cost | 465,264 | 4,052,447 | 3,418,121 | 7,935,832 | 1,121 | 73,121 | 74,097 | 148,339 | 7,787,493 |
| Financial guarantees and other commitments | 2,072,076 | 82,758 | 13,446 | 2,168,280 | 13,464 | 7,204 | 3,185 | 23,853 | 2,144,427 |
| Total | 14,502,005 | 22,998,352 | 5,087,584 | 42,587,941 | 330,167 | 636,950 | 992,187 | 1,959,304 | 40,628,637 |

## GEOGRAPHIC LOCATION ANALYSIS

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by geographic location. The distribution of financial assets by geographic region as of 30 September 2021 and 31 December 2020 is as follows:

| | Unaudited 30 September 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 | 14,882,057 | 858,288 | 9,092 | 1,778,016 | - | - | - | - | - | 17,527,453 |
| Due from banks and financial institutions | 22,451 | 439,997 | 357,878 | 1,421,904 | 717,975 | 2,189 | 194 | 6 | - | 2,962,594 |
| Loans to banks and financial institutions and reverse repurchase agreements | 423 | 168,969 | - | - | - | - | - | - | - | 169,392 |
| Derivative financial instruments | 2,987 | 44,631 | 24 | 120,491 | - | - | - | - | - | 168,133 |
| Financial assets at fair value through profit or loss | 865 | - | - | 246,697 | - | - | - | 455 | - | 248,017 |
| Loans and advances to customers at amortised cost | 3,047,523 | 3,477,246 | 550,323 | 270,438 | 6,293 | 100,147 | 338,917 | 28,854 | 36,201 | 7,855,942 |
| Loans and advances to related parties at amortised cost | 17,013 | - | 61,218 | 233 | - | - | - | - | - | 78,464 |
| Debtors by acceptances | 12,372 | 566 | 2,766 | 3,800 | - | - | 7,330 | - | - | 26,834 |
| Financial assets at amortised cost | 7,235,170 | 194,836 | 129,785 | 52,285 | 63,782 | 27,996 | - | 7,621 | - | 7,711,475 |
| Financial assets at fair value through other comprehensive income | - | 1,004,355 | 22,150 | 99,375 | 208,032 | 101,728 | 9,984 | - | - | 1,445,624 |
| Other assets | 1,749,526 | 147,963 | 1,477 | 18,654 | - | - | - | - | - | 1,917,620 |
| | 26,970,387 | 6,336,851 | 1,134,713 | 4,011,893 | 996,082 | 232,060 | 356,425 | 36,936 | 36,201 | 40,111,548 |

| | Audited 31 December 2020 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Lebanon LBP Million | Turkey LBP Million | MENA LBP Million | Europe LBP Million | North America LBP Million | Asia LBP Million | Rest of Africa LBP Million | Central and South America LBP Million | Rest of the World LBP Million | Total LBP Million |
| Balances with central banks | 16,475,934 | 942,343 | 9,092 | 1,586,591 | - | - | - | - | - | 19,013,960 |
| Due from banks and financial institutions | 36,825 | 72,651 | 104,921 | 1,483,781 | 469,578 | 170 | 33 | - | - | 2,167,959 |
| Loans to banks and financial institutions and reverse repurchase agreements | 4,456 | 258,518 | - | 1,272 | - | - | - | - | - | 264,246 |
| Derivative financial instruments | 3,493 | 32,374 | 343 | 182,453 | - | - | 151 | 6 | - | 218,820 |
| Financial assets at fair value through profit or loss | 834 | 4,295 | - | 318,873 | - | 12,268 | 1,409 | - | - | 337,679 |
| Loans and advances to customers at amortised cost | 3,857,665 | 3,751,432 | 725,173 | 298,159 | 8,220 | 111,269 | 295,897 | 45,590 | 48,947 | 9,142,352 |
| Loans and advances to related parties at amortised cost | 40,348 | - | 67,144 | 708 | - | - | - | - | - | 108,200 |
| Debtors by acceptances | 6,681 | 2,003 | 6,486 | 643 | - | - | 2,079 | - | - | 17,892 |
| Financial assets at amortised cost | 7,323,350 | 216,252 | 85,750 | 61,589 | 65,150 | 27,636 | - | - | 7,766 | 7,787,493 |
| Financial assets at fair value through other comprehensive income | - | 1,060,504 | - | 23,699 | 165,751 | 154,855 | 47,850 | - | - | 1,452,659 |
| Other assets | 1,477,965 | 125,521 | 2,382 | 20,798 | - | - | - | - | - | 1,626,666 |
| | 29,227,551 | 6,465,893 | 1,001,291 | 3,978,566 | 708,699 | 306,198 | 347,419 | 45,596 | 56,713 | 42,137,926 |

# 23. MARKET RISK

## CURRENCY RISK

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

As disclosed in Note 1, the Group's assets and liabilities in foreign currencies are valued at the official exchange rate. Due to the high volatility and the significant variance in exchange rates between the multiple currency market, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the financial statements. Management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis. The impact of the valuation of these assets and liabilities at a different rate will be recognised in the financial statements once the change in the official exchange rate and /or a legal exchange mechanism is implemented by the Lebanese government.

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

| | Unaudited 30 September 2021 | | | | | | |
|---|---|---|---|---|---|---|---|
| | LBP LBP Million | USD LBP Million | EUR LBP Million | TRY LBP Million | EGP LBP Million | Other LBP Million | **Total LBP Million** |
| Assets | | | | | | | |
| Cash and balances with central banks | 3,507,178 | 11,900,962 | 1,468,026 | 97,594 | - | 1,580,864 | 18,554,624 |
| Due from banks and financial institutions | 441 | 2,385,211 | 313,009 | 73,665 | 51 | 190,217 | 2,962,594 |
| Loans to banks and financial institutions and reverse repurchase agreements | 423 | - | 17,732 | 151,237 | - | - | 169,392 |
| Derivative financial instruments | - | 51,737 | 4,562 | 83,473 | - | 28,361 | 168,133 |
| Financial assets at fair value through profit or loss | 690 | 47,932 | 147 | 99 | - | 247,066 | 295,934 |
| Loans and advances to customers at amortised cost | 1,868,599 | 2,379,526 | 1,431,420 | 1,874,571 | 3 | 301,723 | 7,855,842 |
| Loans and advances to related parties at amortised cost | 6,616 | 70,865 | 977 | - | - | 6 | 78,464 |
| Debtors by acceptances | - | 22,691 | 3,810 | - | - | 333 | 26,834 |
| Financial assets at amortised cost | 3,403,079 | 4,206,718 | 69,017 | 32,661 | - | - | 7,711,475 |
| Financial assets at fair value through other comprehensive income | 20,131 | 40,988 | 423,050 | 1,023,548 | - | - | 1,507,717 |
| Investments in associates | - | 82,748 | - | - | - | - | 82,748 |
| Property and equipment and right-of-use assets | 493,469 | 655 | 2,605 | 30,295 | - | 64,154 | 591,178 |
| Intangible assets | 50,295 | - | 676 | 18,126 | - | 839 | 69,936 |
| Assets obtained in settlement of debt | 2,653 | 94,982 | - | 58,041 | - | - | 155,676 |
| Other assets | 1,527,115 | 167,559 | 11,818 | 90,211 | 4 | 30,431 | 1,827,138 |
| Deferred tax assets | 17 | 1 | 13 | 44,644 | - | 9,976 | 54,651 |
| Goodwill | - | 42,408 | - | - | - | - | 42,408 |
| **Total assets** | **10,880,706** | **21,494,983** | **3,746,862** | **3,578,165** | **58** | **2,453,970** | **42,154,744** |
| Liabilities and shareholders' equity | | | | | | | |
| Due to central banks | 2,560,550 | 774,252 | 536 | 309,519 | - | - | 3,644,857 |
| Due to banks and financial institutions | 7,231 | 554,411 | 166,693 | 8,537 | - | 18,355 | 755,227 |
| Due to banks under repurchase agreements | - | 92,012 | - | 727 | - | - | 92,739 |
| Derivative financial instruments | - | 189,368 | 3,888 | 81,321 | - | 10,891 | 285,468 |
| Customers' deposits | 4,308,527 | 21,265,734 | 2,607,626 | 2,091,565 | 63 | 978,133 | 31,251,648 |
| Deposits from related parties | 6,549 | 132,961 | 25,634 | 51 | - | 2,113 | 167,308 |
| Debt issued and other borrowed funds | - | 1,218,837 | - | 18,891 | - | - | 1,237,728 |
| Engagements by acceptances | - | 22,691 | 3,810 | - | - | 333 | 26,834 |
| Other liabilities | 115,545 | 111,737 | 15,275 | 85,934 | - | 30,016 | 358,507 |
| Current tax liability | 3,298 | 13 | 1,032 | 7,245 | - | 189 | 11,777 |
| Deferred tax liabilities | 1,380 | - | - | - | - | 4,692 | 6,072 |
| Provisions for risks and charges | 55,525 | 89,609 | 4,809 | 21,690 | - | 25,999 | 197,632 |
| Shareholders' equity | 1,975,714 | 2,939,240 | 44,953 | (1,131,878) | - | 290,918 | 4,118,947 |
| **Total liabilities and shareholders' equity** | **9,034,319** | **27,390,865** | **2,874,256** | **1,493,602** | **63** | **1,361,639** | **42,154,744** |





| | Audited 31 December 2020 | | | | | | |
|---|---|---|---|---|---|---|---|
| | LBP LBP Million | USD LBP Million | EUR LBP Million | TRY LBP Million | EGP LBP Million | Other LBP Million | Total LBP Million |
| Assets | | | | | | | |
| Cash and balances with central banks | 4,208,001 | 12,238,017 | 1,528,497 | 57,209 | - | 1,454,486 | 19,486,210 |
| Due from banks and financial institutions | 5,758 | 1,136,307 | 412,160 | 69,638 | - | 544,096 | 2,167,959 |
| Loans to banks and financial institutions and reverse repurchase agreements | 4,456 | - | 19,970 | 239,820 | - | - | 264,246 |
| Derivative financial instruments | - | 17,893 | 14,977 | 170,557 | - | 15,393 | 218,820 |
| Financial assets at fair value through profit or loss | 691 | 52,639 | 13,028 | 34,318 | - | 291,391 | 392,067 |
| Loans and advances to customers at amortised cost | 1,873,459 | 3,244,320 | 1,691,777 | 1,963,256 | 10 | 369,530 | 9,142,352 |
| Loans and advances to related parties at amortised cost | 18,152 | 89,243 | 805 | - | - | - | 108,200 |
| Debtors by acceptances | - | 11,447 | 2,331 | - | - | 4,114 | 17,892 |
| Financial assets at amortised cost | 3,445,673 | 4,228,158 | 74,477 | 39,185 | - | - | 7,787,493 |
| Financial assets at fair value through other comprehensive income | 20,245 | 477,366 | 78,551 | 942,211 | - | - | 1,518,373 |
| Investments in associates | - | 113,923 | - | - | - | - | 113,923 |
| Property and equipment and right-of-use assets | 522,417 | 667 | 4,141 | 38,807 | - | 69,896 | 635,928 |
| Intangible assets | 59,324 | - | 585 | 19,989 | - | 1,183 | 81,081 |
| Assets obtained in settlement of debt | (4,590) | 69,691 | - | 138,059 | - | - | 203,160 |
| Other assets | 1,451,806 | 82,212 | 17,280 | 117,471 | 1 | 16,671 | 1,685,441 |
| Deferred tax assets | 545 | (30) | 12 | 46,675 | - | 6,454 | 53,656 |
| Goodwill | - | 42,384 | - | - | - | - | 42,384 |
| Assets held for sale | (34,791) | 1,145,162 | 90,073 | - | 7,296,077 | 996,626 | 9,493,147 |
| **Total Assets** | **11,571,146** | **22,949,399** | **3,948,664** | **3,877,195** | **7,296,088** | **3,769,840** | **53,412,332** |
| Liabilities and shareholders' equity | | | | | | | |
| Due to central banks | 2,619,260 | 786,312 | - | 618,736 | - | - | 4,024,308 |
| Due to banks and financial institutions | 6,434 | 948,703 | 294,287 | 3,221 | - | 122,640 | 1,375,285 |
| Due to banks under repurchase agreements | - | 139,171 | - | 4,717 | - | - | 143,888 |
| Derivative financial instruments | - | 248,391 | 20,001 | 157,271 | 117 | 21,013 | 446,793 |
| Customers' deposits | 4,214,208 | 22,413,402 | 3,091,728 | 1,609,183 | 44 | 962,130 | 32,290,695 |
| Deposits from related parties | 4,762 | 130,382 | 25,609 | - | - | 2,266 | 163,019 |
| Debt issued and other borrowed funds | - | 1,202,225 | - | 115,588 | - | - | 1,317,813 |
| Engagements by acceptances | - | 11,447 | 2,331 | - | - | 4,114 | 17,892 |
| Other liabilities | 147,420 | 156,563 | 13,829 | 93,027 | - | 35,414 | 446,253 |
| Current tax liability | 76,901 | (379) | - | 3,664 | - | (1,438) | 78,748 |
| Deferred tax liabilities | 1,279 | (100) | - | - | - | 4,839 | 6,018 |
| Provisions for risks and charges | 76,708 | 16,423 | 3,526 | 26,911 | - | 27,031 | 150,599 |
| Liabilities held for sale | - | 1,108,198 | 87,818 | - | 6,555,393 | 751,192 | 8,502,601 |
| Shareholders' equity | 2,345,558 | 2,210,624 | 34,871 | (863,676) | 336,243 | 384,800 | 4,448,420 |
| Total liabilities and shareholders' equity | 9,492,530 | 29,371,362 | 3,574,000 | 1,768,642 | 6,891,797 | 2,314,001 | 53,412,332 |

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

| | Unaudited 30 September 2021 | | | | | |
|---|---|---|---|---|---|---|
| | USD LBP Million | EUR LBP Million | TRY LBP Million | EGP LBP Million | Other LBP Million | **Total LBP Million** |
| Assets | | | | | | |
| Cash and balances with central banks | 11,325,981 | 824,754 | - | - | 1,584 | 12,152,319 |
| Due from banks and financial institutions | 17,963 | 2 | - | - | - | 17,965 |
| Derivative financial instruments | 17,245 | - | - | - | - | 17,245 |
| Financial assets at fair value through profit or loss | 42,062 | - | - | - | - | 42,062 |
| Loans and advances to customers at amortised cost | 1,021,038 | 76,386 | - | - | 2,057 | 1,099,481 |
| Loans and advances to related parties at amortised cost | 9,343 | 125 | - | - | - | 9,468 |
| Debtor by acceptances | 369 | - | - | - | - | 369 |
| Financial assets at amortised cost | 3,784,276 | - | - | - | - | 3,784,276 |
| Financial assets at fair value through other comprehensive income | 19,311 | 100 | - | - | - | 19,411 |
| Investment in associates | 82,748 | - | - | - | - | 82,748 |
| Property and equipment and right-of-use assets | 655 | - | - | - | 52 | 707 |
| Assets obtained in settlement of debt | 94,982 | - | - | - | - | 94,982 |
| Other assets | 109,690 | 1,803 | - | - | 478 | 111,971 |
| **Total assets** | **16,525,663** | **903,170** | **-** | **-** | **4,171** | **17,433,004** |
| Liabilities | | | | | | |
| Due to central banks | 774,151 | - | - | - | - | 774,151 |
| Due to banks and financial institutions | 59,964 | 126 | - | - | 57 | 60,147 |
| Customers' deposits | 16,346,907 | 817,248 | - | 43 | 128,204 | 17,292,402 |
| Deposits from related parties | 21,713 | 12,651 | - | - | 614 | 34,978 |
| Engagements by acceptances | 369 | - | - | - | - | 369 |
| Other liabilities | 53,440 | 163 | - | - | - | 53,603 |
| Deferred tax liabilities | (100) | - | - | - | - | (100) |
| Provisions for risks and charges | 84,828 | - | - | - | - | 84,828 |
| **Total liabilities** | **17,341,272** | **830,188** | **-** | **43** | **128,875** | **18,300,378** |

| | Audited 31 December 2020 | | | | | |
|---|---|---|---|---|---|---|
| | USD LBP Million | EUR LBP Million | TRY LBP Million | EGP LBP Million | Other LBP Million | Total LBP Million |
| Assets | | | | | | |
| Cash and balances with central banks | 11,652,691 | 933,915 | - | - | 2,695 | 12,589,301 |
| Due from banks and financial institutions | 31,063 | 70,351 | - | - | 8 | 101,422 |
| Derivative financial instruments | 17,265 | - | - | - | - | 17,265 |
| Financial assets at fair value through profit or loss | 36,927 | 1,534 | - | - | - | 38,461 |
| Loans and advances to customers at amortised cost | 1,837,105 | 125,623 | - | - | 3,299 | 1,966,027 |
| Loans and advances to related parties at amortised cost | 22,118 | 292 | - | - | - | 22,410 |
| Financial assets at amortised cost | 3,868,291 | - | - | - | - | 3,868,291 |
| Financial assets at fair value through other comprehensive income | 17,020 | 188 | - | - | - | 17,208 |
| Investment in associates | 113,923 | - | - | - | - | 113,923 |
| Property and equipment and right-of-use assets | 667 | - | - | - | 84 | 751 |
| Assets obtained in settlement of debt | 69,691 | - | - | - | - | 69,691 |
| Other assets | 50,961 | 4,350 | - | 1 | 2,122 | 57,434 |
| Deferred tax assets | (30) | (2) | - | - | - | (32) |
| Total assets | 17,717,692 | 1,136,251 | - | 1 | 8,208 | 18,862,152 |
| Liabilities | | | | | | |
| Due to central banks | 786,312 | - | - | - | - | 786,312 |
| Due to banks and financial institutions | 522,544 | 79,414 | 1 | - | 526 | 602,485 |
| Customers' deposits | 17,463,181 | 973,882 | - | 43 | 144,906 | 18,582,012 |
| Deposits from related parties | 48,407 | 12,159 | - | - | 735 | 61,301 |
| Other liabilities | 99,464 | 3,856 | - | - | 109 | 103,429 |
| Deferred tax liabilities | (100) | - | - | - | - | (100) |
| Provisions for risks and charges | 9,633 | 2 | - | - | - | 9,635 |
| Total liabilities | 18,929,441 | 1,069,313 | 1 | 43 | 146,276 | 20,145,074 |







## 24.0. | CAPITAL MANAGEMENT

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) as adopted by the Central Bank of Lebanon, which is the lead supervisor of the Group.

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

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

| | 30 September 2021 | 31 December 2020 |
|---|---|---|
| Type of financial instrument | | |
| Exposures to Central Bank of Lebanon in foreign currency | 1.89 % | 1.89 % |
| Exposures to Central Bank of Lebanon in Lebanese Pounds | 0 % | 0 % |
| Lebanese government securities in foreign currency | 45 % | 9.45 % |
| Lebanese government securities in Lebanese Pounds | 0 % | 0 % |

- Requesting banks to increase their own funds (capital) by an amount equivalent to 20% of their Common Equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments, as well as other approaches that meet the criteria for inclusion as regulatory capital. The deadline for raising capital was initially set at 31 December 2020, but was later extended for the banking sector to 28 February 2021. Central Bank of Lebanon's Central Council may exceptionally approve a bank to complete 50% of the 20% required capital increase through the transfer of real estate assets owned by the shareholders to the concerned bank. However, these real estate assets must be liquidated during a 5-year period following regulatory approval date on this transaction.
*As disclosed in Note 1, the Bank issued new capital instruments for USD 209 million and submitted measures to the regulators for strengthening its standalone equity by 20%. The Bank obtained the formal approval of the regulators on 7 May 2021.*

- Inclusion of 100% of revaluations gain of owned real estate properties (excluding ones acquired in settlement of bad debt as per Article 154 of the Code Money & Credit) in Common Equity Tier 1, instead of 50% of this gain in Tier 2, as was the case previously. The regulatory deadline for completing the reappraisal process for such properties was set on 31 December 2021.
*As a result, the levels of Common Equity Tier 1 and Tier 2 capital reported below increased by LBP 262 billion and decreased by LBP 131 billion respectively at 30 September 2021 (31 December 2020: increased by LBP 337 billion and decreased by LBP 169 billion respectively).*

- 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.
*The Group did not draw down its capital conservation buffer as at 30 September 2021.*

- Prohibiting Lebanese banks from distributing dividends on common shares for the financial years 2019 and 2020, as well as prohibiting banks from distributing dividends if capital adequacy ratios drop below 7% for Common Equity Tier 1, 10% for Tier 1 and 12% for total capital (compared to the regulatory minimum limits of 7%, 8.5% and 10.5% respectively, including a 2.5% capital conservation buffer).

Exceptionally for 2020 and 2021, allowing the Bank to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only Stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortised over a period of 3 years starting 2022 and ending in 2024 by 25% yearly. *As a result, the levels of Common Equity Tier 1 and Tier 2 capital reported below increased by LBP 617 billion and decreased by LBP 322 billion respectively at 30 September 2021 (31 December 2020: increased by LBP 748 billion and decreased by LBP 140 billion respectively).*

The following table shows the applicable regulatory capital ratios:

| | Common Tier 1 Capital Ratio | Tier 1 Capital Ratio | Total Capital Ratio |
|---|---|---|---|
| **30 September 2021 (unaudited)** | | | |
| Minimum required capital ratios | **4.50%** | **6.00%** | **8.00%** |
| With the full capital conservation buffer of 2.5% | **7.00%** | **8.50%** | **10.50%** |
| | | | |
| 31 December 2020 (audited) | | | |
| Minimum required capital ratios | 4.50% | 6.00% | 8.00% |
| With capital conservation buffer | 7.00% | 8.50% | 10.50% |

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Risk-weighted assets: | | |
| Credit risk | 30,481,422 | 37,577,900 |
| Market risk | 1,917,426 | 2,369,382 |
| Operational risk | 2,494,448 | 3,195,438 |
| **Total risk-weighted assets** | **34,893,296** | 43,142,720 |

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

| | Unaudited 30 September 2021 LBP Million | Audited 31 December 2020 LBP Million |
|---|---|---|
| Tier 1 capital | 4,576,069 | 4,968,202 |
| *Of which: Common Tier 1* | *3,647,758* | *4,038,672* |
| Tier 2 capital | 580,015 | 693,484 |
| Total capital | **5,156,084** | 5,661,686 |

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

| | Unaudited 30 September 2021 | Audited 31 December 2020 |
|---|---|---|
| Capital adequacy – Common Tier 1 | 10.45% | 9.36% |
| Capital adequacy – Tier 1 | 13.11% | 11.52% |
| Capital adequacy – Total capital | 14.78% | 13.12% |

The capital adequacy ratios as at 30 September 2021 and 31 December 2020 were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties reflected in Note 1. Due to the high levels of uncertainties, the lack of observable reliable indicators, the high gap between the currency parallel market rates, the Platform Rate and the official exchange rate and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, Management is unable to estimate in a reasonable manner the impact of these matters on the Group's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Group and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded.

03

# ADDRESSES

# 1.0. | LEBANON

## BANK AUDI sal

Member of the Association of Banks in Lebanon
Capital: LBP 992,879,819,050 *(as at December 2020)*
Consolidated shareholders' equity:
LBP 4,147,425,070,975 *(as at June 2021)*
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
Branch Manager: Mrs. Patricia G. Debs

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

**BEIRUT**

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

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

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

BLISS
Kanater Bldg., Bliss Street.
Tel: (961-1) 361793. Fax: (961-1) 361796.
Branch Manager: Ms. Nisrine A. Ismail

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

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

JNAH
Tahseen Khayat Bldg., Khalil Moutran Street.
Tel: (961-1) 844870. Fax: (961-1) 844875.
Branch Manager: Mrs. Mariam H. Nizam

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: Mrs. Ghada S. Al-Ameen

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

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

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

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

ZARIF
Salhab Center, Algeria Street.
Tel: (961-1) 747550. Fax: (961-1) 747553.
Branch Manager: Mr. Taha N. Keshly

**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: Mrs. Olfat A. Hamza

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.
Acting Branch Manager: Mr. Fady A. Khoury

DORA
Cité Dora 1, Dora Highway.
Tel: (961-1) 255686. Fax: (961-1) 255695.
Senior Branch Manager: Mrs. Hilda G. Sadek

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

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

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

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

HADATH
El-Ain Square, Main Road.
Tel: (961-5) 464050. Fax: (961-5) 471854.
Branch Manager: Mrs. Rachel J. Sarkis

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

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

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

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

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

JEITA – ANTOURA
Antoura Square.
Tel: (961-9) 235257. Fax: (961-9) 235260.

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

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





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

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

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

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

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

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

**NORTH**

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

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

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

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

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

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

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

**SOUTH**

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

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

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

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

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

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

TYRE
Abou Saleh & Moughnieh Bldg., Main Road.
Tel: (961-7) 345196. Fax: (961-7) 345201.
Branch Manager: Mrs. Lara Z. Yazbeck

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

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

**BEKAA**

JEB JANNINE
Majzoub Bldg., Main Road.
Tel: (961-8) 661488. Fax: (961-8) 661481.
Branch Manager: Mr. Wael A. Sobh

SHTAURA
Daher Bldg., Main Road.
Tel: (961-8) 542960. Fax: (961-8) 544853.

ZAHLEH
Beshwati Bldg., El-Boulevard.
Tel: (961-8) 813592. Fax: (961-8) 801921.
Branch Manager: Mrs. Mona K. Doummar

**NOVO NETWORK**

PALLADIUM DOWNTOWN
Bank Audi Palladium Bldg., Bab Idriss.

ZGHARTA
North Palace Hotel, Kfarhata.

ABC VERDUN MALL
Verdun.

**SOLIFAC sal**

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

## 2.0. | TURKEY

### ODEA BANK A.Ş.

#### HEADQUARTERS

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

#### BRANCHES

**ISTANBUL**
MASLAK
No. 255 (Nurol Plaza), Door No. Z10, Buyukdere Street,
Maslak District, Sariyer, Istanbul.
Tel: (90-212) 3048100. Fax: (90-212) 3481835.
Branch Manager: Ms. Ciler A. Durmaz (Retail)

GUNESLI
No. 65, Osmanpasa Street, 34209, Baglar District,
Bagcilar, Istanbul.
Tel: (90-212) 4646000. Fax: (90-212) 3481840.
Branch Managers: 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 Manager: Ms. Asli O. Yasar (Retail)

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: Mr. Volkan Z. Korkmaz (Retail)

BESIKTAS
No. 99/3, Barbaros Avenue, Cihannuma District,
Besiktas, Istanbul.
Tel: (90-212) 3961500. Fax: (90-212) 3481879.
Branch Manager: Ms. Aysun C. Ozkan (Retail)

ETILER EUROPE CENTRAL BRANCH
No. 60/A-B, Nispetiye Street, Etiler, Besiktas, Istanbul.
Tel: (90-212) 3591600. Fax: (90-212) 3481872.
Branch Managers: Ms. Mehrzad H. Senefe (Retail)
Mr. Kudret M. Uslu (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: Mr. Umut S. Kilic (Retail)

ALTUNIZADE
No. 35/1, Kisikli Avenue, Altunizade District,
Uskudar, Istanbul.
Tel: (90-216) 4001600. Fax: (90-212) 3481886.
Branch Manager: Mrs. Seren M. Sag (Retail)

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

BATI ATASEHIR
No. 59, D:1, Halk Street, Barbaros District,
Atasehir, Istanbul.
Tel: (90-216) 5471200. Fax: (90-212) 3481890.
Branch Managers: Ms. Serap H. Coşkun (Retail);
Ms. Zeynep Y. Erdogan (Commercial); Mr. Kadir A. Kutlu
(Commercial); Mrs. Serap F. Turhan (Commercial);
Mr. Vahap A. Meseoglu (Commercial)

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

KADIKOY
No. 46-48, Sogutlu Cesme Street, 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. Digdem M. Yavasoglu (Retail)

UMRANIYE
No. 50/52 A, Alemdag Avenue, Ataturk District,
Umraniye, Istanbul.
Tel: (90-216) 6491200. Fax: (90-212) 3481901.
Branch Manager: Ms. Alev Y. Dogan (Retail)

EMINONU
No. 18, Asirefendi Avenue, Hobyar District,
Fatih, Istanbul.
Tel: (90-212) 4027000. Fax: (90-212) 3481905.
Branch Manager: Mr. Mehmet Cihat H. Erdogan (Retail)

ALTINTEPE
No. 93/A, Bagdat Street, Altintepe District,
Maltepe, Istanbul.
Tel: (90-216) 5872800. Fax: (90-212) 3481915.
Branch Manager: Mrs. Esin B. Unlu (Retail)

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

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

BANK'O BRANCH
Olive Plaza, No. 11/8, Ahi Evran Street, Maslak District,
Sariyer, Istanbul.
Tel: (90-212) 2608444. Fax: (90-212) 3481919.
Branch Manager: Mr. Aykut S. Mangaloglu (Retail)

**ANKARA**
ANKARA
Tepe Prime Shopping Mall, Block B, No. 266,
Eskisehir Devlet Street, 9 Km, Dumlupinar District,
Cankaya, Ankara.
Tel: (90-312) 2489800. Fax: (90-312) 2489801.
Branch Manager: Ms. Gulhan H. Pervan (Commercial)

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

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

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

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

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

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

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

BOSTANLI
No. 532/A-B, Cemal Gursel Street,
Bostanli District, Karsiyaka, Izmir.
Tel: (90-232) 4911000. Fax: (90-212) 3481892.
Branch Manager: Ms. Gulum O. Gurle (Retail)

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

IZMIT CARSI
No. 104, Cumhuriyet Street, Izmit, Kocaeli.
Tel: (90-262) 2812500. Fax: (90-212) 3481889.
Branch Manager: Ms. Nur Esin A. Keles (Retail)

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

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

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

**KAYSERI**
KAYSERI CARSI
No. 21, Serdar Street, Cumhuriyet District,
Melikgazi, Kayseri.
Tel: (90-352) 2071400. Fax: (90-212) 3481870.
Branch Manager: Mr. Ismail I. Murat (Retail);

**DENIZLI**
DENIZLI
No. 2, M. Korkut Street, Saltak Avenue, Merkez Denizli.
Tel: (90-258) 2952000. Fax: (90-212) 3481883.
Branch Manager: Mrs. Aliye Ozlem M. Ozkok (Retail)

**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: Mr. Ali Zafer A. Kaçar (Commercial);
Ms. Ebru E. Savas (Retail)

**MUGLA**
BODRUM
No. 12, Hasan Resat Oncu Street, Bodrum, Mugla.
Tel: (90-252) 3115000. Fax: (90-212) 3481881.
Branch Manager: Ms. Asli O. Yilmaz (Retail)

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

**MERSIN**
MERSIN
No. 20/A, Kuvai Milliye Avenue, Camiserif District,
Akdeniz, Mersin.
Tel: (90-324) 2418300. Fax: (90-212) 3481882.
Branch Manager: Ms. Pinar E. Asal (Retail)

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

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

## 3.0. | CYPRUS

### BAPB HOLDING LIMITED

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p.sednaoui@bankaudipb.com

## 4.0. | SWITZERLAND

### BANQUE AUDI (SUISSE) SA

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Tel: (41-22) 704 11 11. Fax: (41-22) 704 11 00.
contactus.gva@bankaudipb.com
bankaudipb.com

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

## 5.0. | SAUDI ARABIA

### AUDI CAPITAL (KSA) cjsc

Centria Bldg., 3rd Floor, 2908 Prince Mohammad Bin
Abdul Aziz Road (Tahlia).
Postal Address: Unit No. 28, Ar Riyadh 12241-6055.
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Tel: (966-11) 2199300. Fax: (966-11) 4627942.
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## 6.0. | QATAR

### BANK AUDI LLC

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*License No. 00027*

Qatar Financial Centre Tower, 18th Floor,
Diplomatic Area, West Bay.
P.O. Box: 23270 Doha, Qatar.
Tel: (974) 44051000. Fax: (974) 44051023.
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## 7.0. | FRANCE

### BANK AUDI FRANCE sa

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## 8.0. | UNITED ARAB EMIRATES

### BANK AUDI sal – ABU DHABI REPRESENTATIVE OFFICE

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