Bank Audi

INTERIM FINANCIAL REPORT

END-SEPTEMBER 2023
(Unaudited)
Prepared on 16 November 2023

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MANAGEMENT DISCUSSION & ANALYSIS

1.0. Basis of Presentation

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

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

Since late October 2019, Lebanon has been facing a very complex political, financial, economic and monetary crisis unprecedented in scale. The prolonged inaction by the authorities has exacerbated the fallouts, putting the country in deep recession while severely impacting Lebanese banks' operations and financial standing. National losses have been assessed in 2022 at circa USD 70 billion.

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

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

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

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

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

The Group uses the official published exchange rates above (1,507.5 as of 31 December 2022 and 15,000 as of 30 September 2023) to translate most balances and transactions in foreign currencies, regardless of their source or nature, in line with IAS 21 due to the lack of an alternative legal exchange mechanism. As per regulatory requirement, some balances are translated based on other exchange rate such as but not limited to the "Sayrafa" rate. Consequently, the financial statements do not reflect the change of disclosures required by IAS 29 which applies for hyperinflationary economies since the existence of a wide range of FX rates prevailing on the market and the absence of forthcoming revamping of the official peg make it difficult to proceed with such adjustments, especially when it comes to the valuation of monetary assets and liabilities. Furthermore, the use of different exchange rates renders the comparison of the financial position across period also difficult.

Mid-2021, BDL issued Circular 158 defining the mechanism for the gradual settlement of foreign currency deposits up to an amount of USD 50,000 based on several eligibility criteria. Eligible funds will be transferred to a subaccount and paid on a monthly basis of USD 400 in cash or equivalent and an amount in LBP equivalent to USD 400 and converted at a rate of USD/LBP 12,000 (before amendment at a rate of USD/LBP 15,000 on 20 January 2023) that will be paid 50% in cash and 50% credited to a payment card. On 5 July 2023,the Central Bank of Lebanon issued Intermediate Circular 674 and introduced several amendments to the Basic Circular 158. First, it cancelled the amount in LBP that clients were able to withdraw on a monthly basis from their foreign currencies accounts opened before October 31, 2019. Second, for the US Dollars portion, the monthly withdrawal remains unchanged at USD 400 per month from the outstanding balance of subaccount opened prior to 1 July 2023 when the client signed the agreement with the Bank based on the aforementioned circular. Third, for all subaccounts created after 30 June 2023, the monthly withdrawal limit is set at USD 300 per month.

Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. Management is carefully considering the impact of these litigations and claims. Meanwhile, the Bank believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers since 2021, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch in the absence of a capital control law that governs the transfers.

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

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

In light of the prevailing uncertainties, it remains very difficult to build accurate future plans. Nonetheless, the Group is exerting extended efforts to continuously reinforce its financial standing and enhancing its ability to withstand additional pressure. The main goal is to position Bank Audi at the forefront of the sector if and when the restructuring and recovery will be upon us.

2.0. Operating Environment

With the start of the fourth quarter of 2023, a security drift has erupted in the region with severe casualties and damages, and with potential repercussions to the Levant at large. Any broadening of the conflict to the Lebanese territory could imply further massive economic losses for Lebanon, with significant adverse effects on financial and monetary conditions. It would widen the current large cyclical output gap of 70%, worsen Lebanon's already hefty inflation rate, currently in the realms of 300%, increase poverty and unemployment, now exceeding 80% and 30% respectively, and further erode the currency's exchange rate and the purchasing power of the Lebanese population at large.

Unlike the July 2006 conflict, Lebanon's economic outlook is already weak, its domestic political challenges are unresolved and current ties with the Gulf States could suggest no substantial infusion of reconstruction funds. Notwithstanding the fact that any broadening of the conflict could affect offshore hydrocarbon exploration on which Lebanon counts considerably to get out of its lingering economic crisis with time. The following analysis describes the economic, monetary and financial situation over the first nine months of 2023, i.e just prior to the eruption of recent security drifts.

Despite a prolonged political statu-quo underlined by continuous postponement of presidential elections, frail activity of executive power and stalling of legislation process, Lebanon's real economy managed to display improving performance this year, mainly driven by private consumption. The touristic sector provided a strong growth driver this year, particularly in summer with the significant incoming of Lebanese emigrants and tourists to Lebanon. Household consumption is growing as evidenced by the rise in Beirut port activity by 2% (tonnage of merchandise) over the first seven months of the year. The investment aggregate is lagging behind amid significant domestic politico-economic uncertainties leading to the postponement or cancellation of major investment initiatives.

At the external level, exports contracted by 24% year-on-year, moving from USD 2.1 billion over the first seven months of 2022 to USD 1.6 billion over the first seven months of 2023. The balance of payments surplus of USD 1 billion in the first seven months of the year, despite the contraction in BDL net foreign assets by USD 1.7 billion is due to an increase in banks net foreign assets by USD 2.2 billion. However, this does not denote a surplus in inflows over outflows as banks FX liquidity rose by only USD 0.3 billion (from USD 4.2 to 4.5 billion). This mainly results from the decrease in the foreign liabilities of banks by USD 3 billion (mainly non-resident deposits) as a result of the devaluation of the official exchange rate from 1507.5 to 15,000 and given that a part of non-resident liabilities is in Lebanese Pound. So the surplus in the Balance of payments is only an accounting issue not a mirror image of net inflow issue. At a constant official exchange rate, the balance of payments would have recorded a deficit of circa USD 2 billion.

At the fiscal level, the Cabinet which embarked on the discussion of the 2024 budget transferred from the Ministry of Finance to the Cabinet a couple of weeks ago quickly ratified it within constitutional deadlines, a first since the year 2002. The 2024 budget revolves around total spending of LBP 301 trillion, against LBP 259 trillion for revenues, leaving 42 trillion for fiscal deficit, the equivalent of USD 464 million (2.5% of GDP and 13.9% of expenditures). With debt service budgeted at LBP 15 trillion, the budget 2024 targets a primary deficit of LBP 27 trillion, the equivalent of USD 300 million (1.7% of GDP).

At the monetary policy, the IMF praised the policy framework of the new BDL Governorship anchored over the non-willingness to finance the Government and the safeguarding of remaining reserves. In parallel, inflation remains significant despite the relative stability in the Lebanese pound exchange rate over the past half-year. The year-on-year index has surged by 291% in August 2023 compared to results of August 2022 as per the Consultation and Research Institute.

At the capital markets level, equity markets continued the noticeable surge of the past two years. The BSE price index rose by 26.7% in the first nine months of the year, following a 37.2% increase in the index in 2022, driven by the rise in Solidere shares. This year's rise in prices occurred within the context of a 10.7% annual increase in trading volume year-on-year to reach USD 345 million in the first nine months of 2023. In parallel, the turnover ratio (annual trading value to market capitalization) decreased from 3.1% to 2.5% between the two periods.

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

- A cumulative decline in total deposits by USD 72.8 billion amid noticeable withdrawals and loan redemption: Customer deposits contracted from USD 168.4 billion at end-October 2019 to USD 95.6 billion at end-August 2023, the equivalent of 43%. Resident deposits contracted by USD 58.6 billion, while non-resident deposits dropped by USD 14.2 billion. FX Deposits contracted by USD 31.4 billion over the period to reach USD 92.2 billion, while LBP deposits contracted by LBP 16.4 trillion to reach LBP 51.1 trillion as at end-August 2023. As a result, deposit dollarization went up from 73.4% in October 2019 to 96.4% in August 2023.

- A cumulative decline in total loans by USD 45.2 billion amid bank deleveraging efforts: Lebanese banks have been deleveraging significantly since the onset of the crisis. Their loan portfolio dropped from USD 54.2 billion to USD 8.9 billion, the equivalent of 83%. The loan redemption represents 62% of the deposit contraction over the period. FX loans contracted by USD 30.1 billion to reach USD 8.1 billion, while LBP loans dropped by LBP 11.3 trillion to reach LBP 12.9 trillion. As a result, loan dollarization went up from 70.4% in October 2019 to 90.4% in August 2023.

- A cumulative decline in LBP deposit interest rate by 862 basis points and in USD deposit interest rate by 658 basis points: The average LBP deposit interest rate dropped from 9.03% at end-October 2019 to 0.41% at end-August 2023, while the average USD deposit interest rate declined from 6.61% to 0.03% over the same period. The spread between USD deposit rate and 3-month Libor reached close to -5.63% in August 2023, against +4.71% in October 2019.

- A cumulative decline in banks FX liquidity abroad by USD 4.0 billion: Lebanese banks' claims on non-resident financial sector dropped from USD 8.4 billion at end-October 2019 to reach USD 4.4 billion at end-August 2023. This comes as a result of the significant foreign liquidity usage by Lebanese banks to pay in cash for customers withdrawals at the beginning of the crisis period and more recently under BDL Article 158. The current USD 4.4 billion of FX liquidity placed abroad adds to USD 0.9 billion of USD cash in vaults domestically held by Lebanese banks.

- A cumulative decline of USD 12.1 billion in banks Eurobonds portfolio amid net domestic sales and provisioning: Lebanese banks Eurobond portfolio reached USD 2.7 billion at end-August 2023, against USD 14.8 billion at end-October 2019. The portfolio contraction is tied to banks net sales of Eurobonds at loss, mainly at the early months of the crisis, in addition to high provisioning requirements imposed by monetary authorities on bond portfolios.

- A cumulative decline in shareholders' equity by USD 14.1 billion amid banks' net losses: Shareholders' equity contracted from USD 20.6 billion at end-October 2019 to USD 6.5 billion at end-August 2023 as a result of net bank losses over the period. The losses incurred by Lebanese banks come as a result of noticeable FX costs, the effects of mark-ups, the rising operating expenses tied to the surging inflation, in addition to significant provisions to face private and sovereign risks at large.

Lebanon's Major Economic Indicators

(USD Million)	8M-2022	8M-2023	Change in % 8M-23/8M-22
External sector			
Imports(*)	10,805	9,803	-9.3%
Exports(*)	2,127	1,617	-24.0%
Trade deficit(*)	-8,678	-8,186	-5.7%
Balance of payments	-3,101	1,071	-134.5%
Public sector (end-period)			
Gross domestic debt**	60,549	60,892	0.6%
Foreign debt**	38,754	41,574	7.3%
Total gross debt**	99,303	102,466	3.2%
Monetary sector			
M3 (end-period)	127,705	78,377	-38.6%
Velocity	0.18	0.09	-52.1%
Cleared checks	22,603	9,410	-58.4%
CPI inflation (end-period, %)	145.9%	290.6%	144.7%
Banking sector (end-period)			
Total assets	168,748	113,724	-32.6%
Total shareholders' equity	16,883	6,522	-61.4%
Total deposits	125,020	95,586	-23.5%
Total credits	22,822	8,921	-60.9%

(*) Seven-month figures for 2022 & 2023
(**) January figures for 2022 and 2023

3.0. Consolidated Financial Condition

In the third quarter of 2023, the Bank's consolidated activity and results continue to be in line with those observed in the first half of the year, heavily marked by persisting challenges in the operating conditions, particularly in Lebanon and Turkey, the Group's two principal markets.
In Lebanon, there is almost no progress made by the Lebanese authorities in addressing the fundamental drivers of a viable restructuring and resolution plan. As at the date of this report, the long awaited reforms have yet been put forward for discussion by policymakers. While highlighting the positive stance of the interim government, the IMF stressed on the crucial need for structural reforms, as "a permanent solution requires comprehensive policy decisions from Parliament and the Government." The persisting operating uncertainties and challenges, compounded by the woes of the Ukraine war on the global economy in addition to the certain negative spillover effect of the war in Gaza continue to have a generally adverse effect on the operating conditions in Lebanon, deterring the possibility of any positive development. Beyond the common negative impact generated by the deteriorating political and security circumstances in the region and the ensuing volatility, Lebanon registered a severe setback a few days after the outset of the Gaza war following the decision of TotalEnergies's drillship, Transorient Barent, mid-October 2023, to suspend drilling in Block 9 (Qana gaz field) which lies right on the Israeli-Lebanese maritime boundary due to no commercial gaz discovery. After the completion of the maritime border demarcation agreement with Israel late 2022, much of Lebanon's economic future hinged on the result of the gaz drilling. The consortium has nonetheless the obligation to drill another well in the same Block, but its execution is delayed in time. Despite the setback the consortium recently bid for additional lease acreage in adjacent blocks, demonstrating confidence in the potential of Lebanon's offshore resources.

In Turkey, there is a return to a more conventional and consistent economic policy mix that reduces near-term macro-financial stability risks and eases balance of payments pressures. In time with the early results of this newly implemented, the Central Bank of the Republic of Turkey (TCMB) raised consecutively policy interest rates in an aim to achieve disinflation as soon as possible, prevent the deterioration of pricing behavior, and anchor inflation expectations with these interest rate hikes. This comes on the backdrop of additional quantitative tightening and selective credit decisions to support the monetary tightening process from a banking perspective. If followed through, this would bring about less operating volatility allowing banks and other institutions to set forth reasonable and credible plans over the short and medium terms. Meanwhile, credit quality is bound to be affected by the operational volatility which could potentially reveal embedded losses, imposing selective future lending practices on banks.

On this backdrop, Management continues to prioritize the consolidation of the Group's financial standing and its ability to withstand pressures, while positioning the Lebanese entities at the forefront of the sector post restructuring era to ensure a swift recovery and prompt resumption of normal banking activities. In the first nine months of 2023, Bank Audi reported consolidated net profits reaching USD 60 million, driven principally by entities operating outside Lebanon registering net profits of USD 104 million, totally offsetting a net loss of USD 44 million generated by Lebanese entities over the same period. The latter is justified by the allocation of USD 232 million to provisions to cover various expenses expected to be booked in the fourth quarter of 2023.

The performance of Lebanese entities is a result of the continued efforts exerted to quickly adapt to the changing regulatory requirements while improving its quality of earnings, preserving the accumulated off-shore liquidity in foreign currencies, facing heightened non-financial risks in the absence of a Capital Control law and guarding the capital base.

Along those lines the Bank is now in the process of implementing a new direction aiming at allowing it to cruise along the transitory period leading to the restructuring of the banking sector in the best possible shape. This new direction revolves around resilience and readiness while encompassing:

- Maintaining the implementation of the measures related to the six-going concern pillars;
- Devising new scalable business opportunities for the Corporate and Retail business segments alike. This includes 1) the roll-out of a new Digital Banking solution following the "neo" scheme, involving building an end-to-end digital bank with no branches on digital platforms, in line with global trends and international standards, 2) the promotion of the external accounts, 3) tailor-made deposits and lending products, 4) new Card offering supported by an 8-years exclusive partnership with MasterCard, 5) IT services outsourcing etc…
- Sustaining the cost optimization policy in Lebanon to achieve an optimum efficiency level
- Agile operating model supported by flexible analytical models and business planning tools,
- Sustaining compliance with rules and regulations while maintaining clear communication, transparency and disclosures.

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

The devaluation of the LBP versus the USD had a pervasive effect on consolidated equity, given its non-monetary nature, i.e. its value in LBP does not change with the devaluation of the LBP. This effect was fortunately partially offset by the net asset value of subsidiaries with functional foreign currencies constituting a significant hedge to the Bank's capital (c. USD 686 million).

Shareholders' equity was also impacted by a number of regulatory directives. Of note, the issuance in July 2023 of BDL Intermediate Circular 676, requesting Banks to depart from International Reporting Standards by reclassifying negative foreign exchange differences resulting from the periodic revaluation of FX position from Equity to Other Assets, whereas positive foreign exchange differences have to be reclassified into other liabilities. If negative differences were not liquidated by year-end, provisions against the outstanding amount should be taken. The circular also extended the restriction to distribute dividends to common shareholders based on 2023 results. The application of said circular would imply a significant contraction in shareholders' equity following the reclassification of USD 186 million from equity to liability. Despite the subsequent suspension of BDL Intermediate Circular 676, the reporting template of Banking Control Commission in Lebanon ("BCC") for capital adequacy ratios excludes completely from the computation of Tier one capital USD 516 million of gains from Other Comprehensive Income while half of this amount is nonetheless reintegrated in Tier 2.

As a result, consolidated equity, translated to USD at the prevailing official rate, moved from USD 4.0 billion as at end-December 2022 to stand at USD 1.2 billion as at end-September 2023, decreasing by USD 2.8 billion in the first nine months of 2023.

At the date of preparation of this report, Management continues to assess the consequences and measures that might be necessary from the application of the aforementioned latest regulatory changes of its capital needs. In doing so, Management is also taking into account the BCC requirement dated July 2023, to adjust operational risk capital charge by re-computing capital ratios based on the new official exchange rate of LBP15,000 per USD for the foreign currency components of operating income for the years 2020 to 2022, thus resulting in an increase of RWA by USD 1,023 million (+6% increase vs total RWA base figures). Management strongly believes that the resulting capital ratios are not reflecting the true image of the Bank's financial standing. It had identified three essential measures/actions to be taken in that regards:

- Alignment of BCC to BASEL III framework which includes OCI and all reserves into CET1,
- The revaluation of the Bank's realties at the prevailing Sayrafa rate to be performed by year-end as per regulatory requirements,
- In addition to the Bank's internal capital generation for the fourth quarter of 2023.

Discussion with the regulatory bodies are still on going to reach a common understanding of the requirements.

At Odea Bank, Management is adapting to the current policies as quickly as possible while continuing to closely monitor the sensitive operational developments. In the first nine months of 2023, the Turkish entity achieved good results, reporting a growth focused on sustainable profitability in time with the de-risking of the foreign currency loan portfolio, and the establishment of a healthy balance between risk weighted assets and capital. This contributed to a further reinforcement of the Bank's financial flexibility with another improvement in loan quality on the backdrop of a preservation of adequate liquidity and sufficient capital levels. Total assets of Odea Bank increased in nominal terms by TRY 9.3 billion to stand at TRY 78.2 billion as at end-September 2023, driven by an increase in customers' deposits by TRY 11.1 billion to stand at TRY 60.5 billion. Loans to customers increased by TRY 2.9 billion to TRY 30.9 billion. This evolution reflects a real increase in loans denominated in TRY by TRY 2.6 billion within a real decrease in loans denominated in foreign currencies by TRY 6.1 billion. The remaining is accounted for by FX translation effect following the devaluation of the TRY versus the USD from 18.7 TRY per USD as at end-December 2022 to 27.42 TRY per USD as at end-September 2023. The ratio of stage 3 to gross loan reached 4.4% as at end-September 2023 compared to 5% as at end-December 2022. Odea Bank posted net profits of TRY 1.6 billion in the first nine months of 2023 compared to TRY 0.7 billion in the corresponding period of 2022.

Private Banking entities have also reported a good performance in the first nine months of 2023 reporting net profits of USD 21.2 million compared to USD 9.9 million of net profits in the first nine months of 2022 normalized from the effect of the one-off release of provision on RoL instruments sold. This outperformance was driven by an increase in Assets Under Management of private banking entities from USD 3.8 billion as at end-December 2022 to USD 4.3 billion as at end-September 2023.

Activity Analysis

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

All figures presented in the following analysis are expressed in US Dollars ("USD"), unless specifically otherwise stated, which are translated from Lebanese Pounds using the aforementioned official exchange rate published by the Central Bank of Lebanon.

In light of the persisting existence of a number of exchange rates in Lebanon as a result of the prolonged financial crisis, which differ greatly from the official exchange rate, the published results of the Lebanese entities may not represent an accurate reflection of absolute values and are given on an indicative basis only to underscore evolution of main indicators.

Consolidated assets of Bank Audi, translated from Lebanese Pounds at the official exchange rate for the period, stood at USD 18.0 billion as at end-September 2023, compared to USD 26.9 billion as at end-December 2022, i.e. decreasing by USD 9 billion. The evolution of the official exchange rate brings in an FX dimension to the evolution of aggregates across the period, taking into account the currency structure of the said aggregate. Consolidated assets denominated in Lebanese Pounds decreased over the same period by USD 7.6 billion, from USD 8.7 billion as at end-December 2022 to USD 1.1 billion as at end-September 2023, driven mostly by the 10 times devaluation of the official exchange rate of the Lebanese Pounds versus the USD. Accordingly, consolidated assets denominated in foreign currencies decreased by USD 1.3 billion, broken down over a decrease by USD 1 billion in assets of entities operating outside Lebanon and a contraction by USD 319 million for the assets of Lebanese entities denominated in foreign currencies.

The contribution of Odea Bank to the evolution of consolidated assets in the first nine months of 2023 accounts for most of the negative evolution of assets of foreign entities representing a negative USD 834 million in the first nine months of 2023, underscoring a negative translation impact of USD 657 million following the devaluation of the Turkish Lira against the USD by 32% (from TRY 18.7 per USD as at end-December 2022 to TRY 27.42 per USD as at end-September 2023) leaving a real decrease by USD 177 million.

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

Summarised Statement of Financial Position

(USD Million)	Dec-22	Sep-23	Change in Vol. Sep-23 / Dec-22	%
Cash & placements with banks and central banks	11,634	11,819	184	1.6%
Portfolio securities	5,535	2,925	-2,610	-47.2%
Loans to customers and related parties	3,937	2,315	-1,622	-41.2%
Other assets	707	328	-378	-53.5%
Fixed assets	5,113	573	-4,541	-88.8%
Assets= Liabilities + Equity	**26,926**	**17,960**	**-8,966**	**-33.3%**
Bank deposits	2,234	463	-1,771	-79.3%
Customers' deposits and related parties	19,381	15,156	-4,225	-21.8%
Subordinated debt	546	546	0	-0.1%
Other liabilities	748	610	-138	-18.5%
Shareholders' equity (profit included)	4,017	1,184	-2,832	-70.5%
AUMs + fid. dep. + cust. acc.	7,573	8,481	909	12.0%
Assets + AUMS	**34,499**	**26,441**	**-8,058**	**-23.4%**

Consolidated deposits moved from USD 19.4 million as at end-December 2022 to USD 15.2 billion as at end-September 2023, i.e. decreasing by USD 4.2 billion. By entity, customers' deposits of entities operating in Lebanon decreased by USD 3.5 billion, broken down over a decrease by USD 3.2 billion of deposits denominated in Lebanese pounds mostly as a result of the devaluation of the official exchange rate of the LBP versus the US Dollar, and a decrease by USD 331 million of deposits denominated in foreign currencies. Customers' deposits of entities operating abroad decreased by USD 717 million, of which USD 436 million accounted by Odea Bank, representing a negative FX impact of USD 531 million within a slight real increase of USD 94 million. Customers' deposits of entities operating in Europe dropped by USD 270 million, representing a decrease in customers' deposits of Banque Audi (Suisse) by USD 368 million, mostly following their transfer into fiduciary deposits (AuM) to benefit from the surge of reference rates globally, partially offset by an increase in deposits of Bank Audi France by USD 98 million. The latter reflects the concerted efforts of Bank Audi Lebanon and Bank Audi France to channel back the deposits of Lebanese customers who lack confidence, under the persistent uncertainties characterizing the Lebanese banking sector, in banks in Lebanon by offering them an alternative solution under a European jurisdiction.

In parallel, consolidated net loans decreased by USD 1.6 billion to stand at USD 2.3 billion as at end-September 2023. The decrease is mainly driven by loans of Lebanese entities contracting by USD 1.2 billion, of which USD 1.1 billion accounted for by loans denominated in LBP while loans denominated in foreign currencies contracted by USD 144 million, to stand at a mere USD 191 million as at end-September 2023. In parallel, loans of entities operating outside Lebanon decreased by USD 392 million, driven by a decrease of net loans at Odea Bank by USD 372 million, underscoring a real decrease by USD 127 million and a negative FX effect of USD 245 million.

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

Breakdown by Geography

	Assets			Deposits			Loans		
	Dec-22	Sep-23	Change	Dec-22	Sep-23	Change	Dec-22	Sep-23	Change
By region									
Lebanon	75.8%	69.5%	-6.4%	74.9%	72.6%	-2.3%	37.9%	11.4%	-26.5%
Abroad	24.2%	30.5%	6.4%	25.1%	27.4%	2.3%	62.1%	88.6%	26.5%

In relative terms, as at end-September 2023, the share of Lebanese entities in consolidated assets, deposits and loans decreased as aggregates were negatively affected by the effective devaluation of the official exchange rate. 69.5% of consolidated assets were accounted for by Lebanese entities (including consolidation adjustments), 15.9% by Odea Bank in Turkey, and 7.1% by Private Banking entities, with the remaining 7.5% contributed by other entities (Bank Audi France and Bank Audi LLC (Qatar) predominantly). This is compared to 75.8%, 13.7%, 5.9% and 4.6% respectively as at end-December 2022. Lebanese entities also accounted for 72.6% of consolidated deposits and 11.4% of consolidated loans as at end-September 2023, compared to 74.9% and 37.9% respectively as at end-December 2022. In parallel, Odea Bank's share in consolidated deposits moved from 13.6% as at end-December 2022 to 14.6% as at end-September 2023 while its share in consolidated net loans moved from 38.1% as at end-December 2022 to 48.7% as at end-September 2023.

The table below sets out the breakdown of consolidated assets, deposits and loans by currency, highlighting amounts in Lebanese Pounds and in foreign currencies. The latter distinguishes between restricted amounts in local foreign currencies (Lollars) according to the market definition in Lebanon prevailing since the outset of the Crisis and unrestricted amount, labelled fresh:

Breakdown by Currency

	Sep-23				
		FCY			
(USD Million)	LBP	o.w. Lollars(*)	o.w. Fresh(**)	Total FCY	Total LBP & FCY
Loans and advances to customers and related parties	**73**	**184**	**2,058**	**2,242**	**2,315**
Total assets	1,101	10,232	**6,627**	16,859	17,960
Deposits from customers and related parties	428	10,097	**4,631**	14,728	15,156

	Dec-22				
		FCY			
(USD Million)	LBP	o.w. Lollars(*)	o.w. Fresh(**)	Total FCY	Total LBP & FCY
Loans and advances to customers and related parties	**1,158**	**327**	**2,452**	**2,779**	**3,937**
Total assets	8,722	10,712	**7,493**	18,204	26,926
Deposits from customers and related parties	3,605	10,582	**5,194**	15,776	19,381

	Change Sep-23 / Dec-22 in %				
		FCY			
	LBP	o.w. Lollars(*)	o.w. Fresh(**)	Total FCY	Total LBP & FCY
Loans and advances to customers and related parties	-93.7%	-43.6%	-16.1%	-19.3%	-41.2%
Total assets	**-87.4%**	**-4.2%**	**-11.9%**	**-7.4%**	**-33.3%**
Deposits from customers and related parties	-88.1%	-4.3%	-11.4%	-6.6%	-21.8%

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

As at end-September 2023, the USD 18.0 billion of consolidated assets are composed of USD 1.1 billion of assets denominated in LBP, USD 6.6 billion of unrestricted assets in fresh (including assets of foreign entities) and USD 10.2 billion of restricted assets in foreign currencies. This is compared to USD 8.7 billion of assets denominated in LBP as at end-December 2022, USD 7.5 billion of unrestricted assets in fresh (including assets of foreign entities) and USD 10.7 billion of restricted assets in foreign currencies.

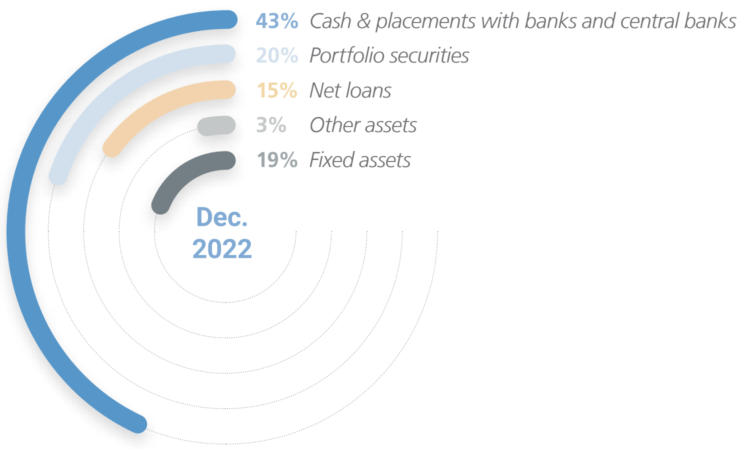
Consolidated assets under management (composed of fiduciary deposits, security accounts and asset under management) moved from USD 7.6 billion as at end-December 2022 to USD 8.5 billion as at end-September 2023, rising by USD 908 million. The latter increase is mostly accounted for by consolidated AuMs, impacted by market conditions and increasing by USD 834 million. The latter corresponds to an increase in Banque Audi (Suisse) by USD 420 million to be added to an increase by USD 396 million in Lebanese entities, and by USD 56 million at Odea Bank with the remaining accounted for by consolidation adjustments. Subsequently, consolidated assets including fiduciary deposits, security accounts and AuMs aggregated to USD 26.4 billion at end-September 2023, compared to USD 34.5 billion as at end-December 2022.

3.1. Asset Allocation

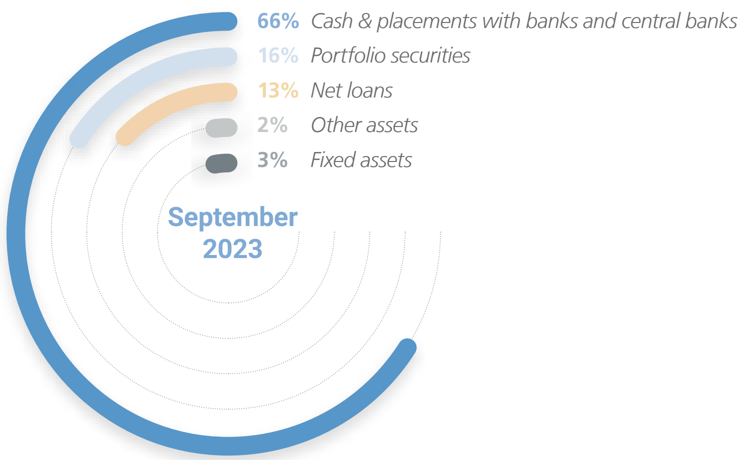
Consolidated assets allocation was almost stable in the first nine months of 2023, albeit for the share of fixed assets in total consolidated assets moving from 19% as at end-December 2022 to 3% as at end-September 2023. The distorted ratio as at end-December 2022 reflects the inclusion of the USD 4.5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

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

Assets Breakdown as at end-December 2022



Assets Breakdown as at end-September 2023



Changes in Placements with Central Banks and Banks

The Bank's consolidated placements with central banks and banks (comprised principally of cash, as well as amounts held at central banks (including free accounts and compulsory reserves and excluding certificates of deposit issued by the Central Bank of Lebanon), placements with banks and loans to banks and reverse repurchase facilities with central banks and financial institutions) were almost stable in the first nine months of 2023, moving from USD 11.6 billion as at end-December 2022 to USD 11.8 billion as at end-September 2023, corresponding to an increase by USD 0.2 billion.

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

Placements with Central Bank and Banks (Excluding CDs)

(USD Million)	LBP	USD	EUR	TRY	OTHERS	TOTAL
Cash and placements with central banks	189	8,514	866	251	52	9,872
o.w. Reserves requirements	73	1,550	9	-		1,632
o.w. Sight & term placements	116	6,964	857	251	52	8,240
Placements with banks	7	1,509	87	192	152	1,947
o.w. Deposits with banks	7	1,509	87	63	152	1,818
o.w. Loans to banks and financial institutions and reverse repurchase agreements				129		129
Total placements	196	10,023	953	443	204	11,819

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. Expressed in USD at the prevailing official exchange rates, placements in Lebanese Pounds decreased by USD 593 million in the first nine months of 2023, from USD 789 million as at end-December 2022 to stand at USD 196 million as at end-September 2023. As a result, the share of placements with central banks and banks in Lebanese Pounds in deposits denominated in Lebanese Pounds increased from 21.9% as at end-December 2022 to 45.9% as at end-September 2023, an evolution that is also justified by a faster decrease in deposits denominated in LBP (in real terms as well).

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 780 million, representing an increase in placements at central banks (mostly cash deposits) by USD 984 million totally offsetting a decrease in placements with banks by USD 205 million. The increase in cash deposits at central banks by USD 984 million represents the maturity of a BDL Certificate of Deposits issuance in the third quarter of 2023 which was subsequently placed in sight deposits at the Central Bank of Lebanon. Subsequently, the Bank's placements with central banks and banks in foreign currencies stood at USD 11.6 billion as at end-September 2023, broken down over USD 9.7 billion of placements with central banks in foreign currencies and USD 1.9 billion of placements with banks in foreign currencies. Part and parcel of the latter, Bank Audi Lebanon had USD 1.1 billion in free liquidity denominated in foreign currencies as at end-September 2023, reaching USD 645 million, post netting of the external accounts deposits in same currencies of USD 433 million. More significantly, as at end-September 2023, the foreign liquidity of Bank Audi Lebanon, free from any obligation, continued to exceed the regulatory requirement of 3% of customers' deposits as per BdL Basic Circular 154 as amended in October 2022, reaching 8.89% as at end-September 2023 2023. It would increase to 9.43% after excluding the payments in fresh currency made as per BDL 158.

The share of consolidated placements with central banks and banks in foreign currencies in customers' deposits denominated in foreign currencies at consolidated basis increased from 68.7% as at end-December 2022 to 79% as at end-September 2023. Placements with central banks in foreign currencies represented 65.7% of consolidated customers' deposits as at end-September 2023 compared to 55.1% as at end-December 2022. In parallel, placements with banks in foreign currencies to consolidated customers' deposits in foreign currencies moved from 13.6% as at end-December 2022 to 13.2% as at end-September 2023.

Changes in Securities Portfolio

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

In the first nine months of 2023, the Bank's securities portfolio decreased by USD 2.6 billion (-47.2%), from USD 5.5 billion as at end-December 2022 to USD 2.9 billion as at end-September 2023. By currency, this decrease reflects a contraction of portfolio securities denominated in LBP by LBP 1.1 billion, mainly as a result of the adoption of the new official exchange rate within a decrease in portfolio securities denominated in foreign currencies by USD 1.5 billion.

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

Portfolio Securities Breakdown

(USD Million)	Dec-22	Sep-23	Change in Volume	Change in %
Central Bank of Lebanon certificates of deposit	2,264	1,233	-1,031	-45.5%
LBP-denominated	17	3	-14	-81.4%
Foreign currency-denominated	2,247	1,230	-1,017	-45.3%
Net Lebanese Treasury bills and Eurobonds	1,474	159	-1,315	-89.2%
LBP-denominated	1,360	137	-1,222	-89.9%
Foreign currency-denominated	114	22	-92	-81.0%
Risk-ceded government Eurobonds	11	11		
Foreign currency-denominated	11	11		
Other non-Lebanese sovereign securities	1,163	996	-167	-14.4%
TRY	523	371	-152	-29.1%
USD	518	516	-3	-0.5%
EUR	123	109	-14	-11.1%
Other fixed income securities	508	329	-179	-35.1%
Foreign currency-denominated	508	329	-179	-35.1%
Equity securities	114	197	84	73.1%
LBP-denominated	14	123	108	752.8%
Foreign currency-denominated	100	74	-26	-25.9%
Total portfolio securities	5,535	2,925	-2,610	-47.2%

Lebanese Bonds and Central Bank Certificates of Deposit Portfolio

Exposure to the Central Bank of Lebanon in the form of certificates of deposit in Lebanese Pounds decreased in absolute terms by USD 14 million to stand at a mere USD 3 million. In foreign currencies, this exposure contracted by USD 1 billion, from USD 2,247 million as at end-December 2022 to USD 1,230 million as at end-September 2023, reflecting the maturity in the third quarter of 2023 of an issuance earning 3.2% which was as mentioned earlier placed in sight deposits at the Central Bank of Lebanon. When adding the free account placements at the Central Bank of Lebanon denominated in foreign currencies, the total exposure in foreign currencies to the Central Bank of Lebanon reported little change reaching USD 9.2 billion as at end-September 2023, compared to USD 9.1 billion as at end-December 2022, contracting by USD 76 million. This is net of an ECL of USD 195 million taken on this exposure as per regulatory requirement (1.89%) which remained unchanged across the period.

The Group's exposure to Lebanese government securities decreased by USD 1.3 billion in the first nine months of 2023, representing mostly the USD 1.2 billion negative FX impact on the stock of Treasury bills held by the Bank following the adoption of the new Official exchange rate in Lebanon for LBP against the US Dollar. The Group's exposure to Lebanese sovereign Eurobonds gross of ECLs, including the risk-ceded government bonds, increased by USD 21 million in the first nine months of 2023, from USD 178 million as at end-December 2022 to stand at USD 199 million as at end-September 2023. Since July 2021, Management resolved to purchase RoL Eurobonds based on an opportunistic approach, given the depressed market valuations of these bonds potentially offering investors an attractive upside potential in a post-restructuring era. The Bank is currently booking those securities in "fresh" USD at market value when held in the trading portfolio. In August 2023, Management increased significantly the expected credit loss allowances on those instruments which moved from USD 54 million as at end-December 2022 to USD 167 million as at end-September 2023, representing almost 84% of the gross exposure. Net of ECLs, the Group's exposure to Lebanese sovereign Eurobonds, including the risk-ceded government bonds, decreased subsequently by USD 92 million in the first nine months of 2023, to stand at a mere USD 33 million as at end-September 2023.

Non-Lebanese Sovereign Securities

The Bank's non-Lebanese sovereign risk decreased by USD 167 million in the first nine months of 2023, from USD 1,163 million as at end-December 2022 to USD 996 million as at end-September 2023, with the contraction almost entirely attributed to non-Lebanese sovereign securities denominated in TRY. The latter reported a contraction by USD 152 million representing a negative FX translation effect of USD 166 million within a real increase by USD 14 million. In parallel, non-Lebanese securities denominated in Euro decreased by USD 14 million across the same period while those denominated in USD remained at almost the same level.

In relative terms, the Bank's portfolio of non-Lebanese sovereign bonds represented 34.1% of the total securities portfolio as at end-September 2023 compared to 21.0% as at end-December 2022, the evolution owed to a much faster contraction in the overall portfolio securities. Likewise, it represents 6.8% of foreign currency-denominated customers' deposits, compared to 7.4% as at end-December 2022.

Other International Fixed Income Securities

The Bank's exposure to other international fixed income securities decreased by USD 179 million in the first nine months of 2023, from USD 508 million as at end-December 2022 to USD 329 million as at end-September 2023. This is mainly due to the decrease of bonds portfolio related to banks and financial institutions issuers. The portfolio is still concentrated on banks and financial institutions issuers which represent 53.8% of the total portfolio, while corporate issuers accounted for 22.2% while the remaining 24.0% represented loans to customers at fair value through P&L. The largest non-governmental international bonds is related to a AAA rated institution with a USD 55 million exposure (denominated in TRY) and representing 16.7% of the total portfolio as at end-September 2023.

Changes in Net Loans to Customers

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

Lebanese Entities

The net loan portfolio of Lebanese entities has contracted during the first half of 2023 by around c/v USD 1,229 million mainly due to the below:

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

Management has been reluctant to offer facilities in hard currency. Only few selective lending in LBP were granted to strategic clients operating in defensive sectors.

Today, Management is contemplating the activation of an envelope in Fresh USD which will be targeting selected corporate and commercial clients with good credit standing and credit history in order to retain strategic relationships and optimize fresh USD income.

Analysis of Loans by Currency

Following the above official rate increase, FC loans share of the total net loan portfolio surged again to reach 74% in September 2023 up from 23% in December 2022, even though FC loans witnessed a decrease during the past three years.

Loan Quality(*)

Lebanese Entities

(USD Million)	Dec-22	Sep-23	Change Sep-23/Dec-22
Credit-impaired loans	567	**327**	**-240**
o.w. Corporate	435	254	-181
o.w. Retail	132	73	-59
Net loans	1,493	**264**	**-1,229**
o.w. Corporate	1,131	229	-902
o.w. Retail	362	34	-328
Allowance for ECL Stage 3	416	**251**	**-165**
o.w. Corporate	296	181	-115
o.w. Retail	121	70	-50
Allowance for ECL Stages 1 & 2	**39**	16	**-23**
o.w. Corporate	13	13	0
o.w. Retail	25	3	-23
Credit-impaired loans/Gross loans	**29.1%**	61.7%	**32.6%**
o.w. Corporate	30.2%	60.1%	29.9%
o.w. Retail	25.9%	67.9%	42.0%
Net credit-impaired loans/Gross loans	**7.7%**	14.5%	**6.8%**
o.w. Corporate	9.7%	17.4%	7.7%
o.w. Retail	2.1%	3.0%	0.9%
Credit-impaired loans coverage	**73.5%**	76.6%	**3.1%**
o.w. Corporate	67.9%	71.1%	3.2%
o.w. Retail	91.8%	95.5%	3.8%
Allowance for ECL Stages 1 & 2/Net loans	**2.6%**	6.2%	**3.6%**
o.w. Corporate	1.2%	5.7%	4.5%
o.w. Retail	7.0%	9.8%	2.7%

(*) *As per IFRS 9.*

Credit-impaired loans of Lebanese entities decreased substantially by USD 240 million (merely 42% drop) due to the collection efforts, and stood at USD 327 million as at end-September 2023 with the settlement of USD 181 million of commercial loans and USD 59 million of retail loans. Provisions were released accordingly resulting in a decrease of total allowances for ECL Stage 3 by USD 165 million, while the coverage ratio of the credit-impaired loans stood at 76.6% as at end-September 2023, compared to 73.5% as at end-December 2022.

The credit-impaired loans to gross loans ratio increased from 29.1% at end-December 2022 to 61.7% at end-September 2023, being negatively impacted by the substantial decrease in the total loan portfolio amid the increase of the official USD/LBP exchange rate and the fact that the majority of the credit-impaired loans are denominated in foreign currencies.

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

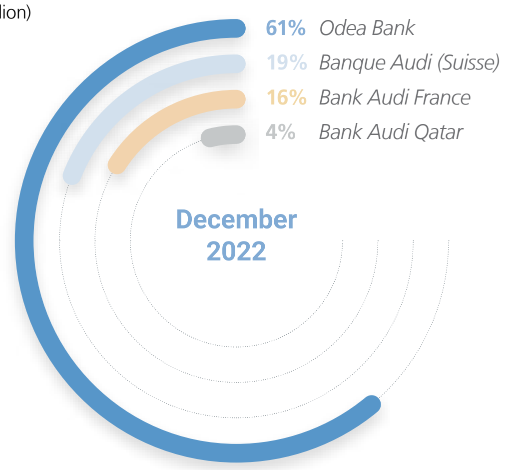
Entities Operating outside Lebanon

A breakdown of the net loan portfolio of entities operating outside Lebanon by geography as at end-September 2023 reveals that 55% were booked in Odea Bank (Turkey), 23% in Banque Audi (Suisse), 17%in Bank Audi France and 5% in Bank Audi Qatar. This is compared to 61%, 19%, 16% and 4% respectively as at end-December 2022.

The total net loan portfolio of entities operating outside Lebanon decreased by USD 392 million during the first three quarters of 2023, standing at USD 2.05 billion at end-September 2023 compared to USD 2.44 billion as at end-December 2022. The decrease stems mainly from a decrease in Odea Bank loan portfolio by USD 372 million as a result of the devaluation of the Turkish Lira, settlement of loans denominated in foreign currency (FC) and conversion of loans in foreign currency to local currency.

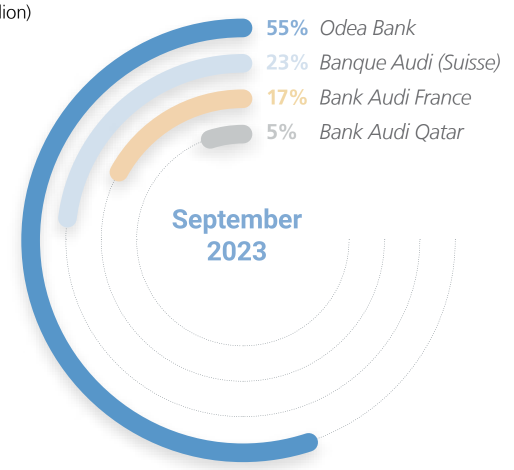
Breakdown of Net Loans & Advances by Entities Operating outside Lebanon as at End-December 2022

(USD Million)



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

(USD Million)

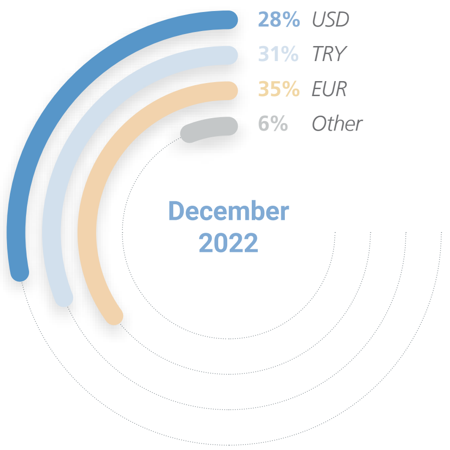


Analysis of Loans by Currency

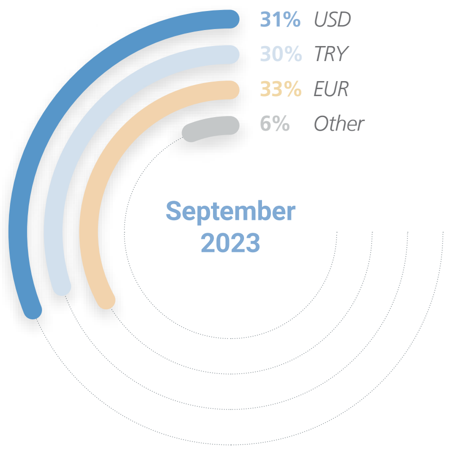
The dominant currencies of total net loans of entities operating outside Lebanon remain the USD, EUR and TRY with their shares aggregating to 94% as at end-September 2023.

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

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



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

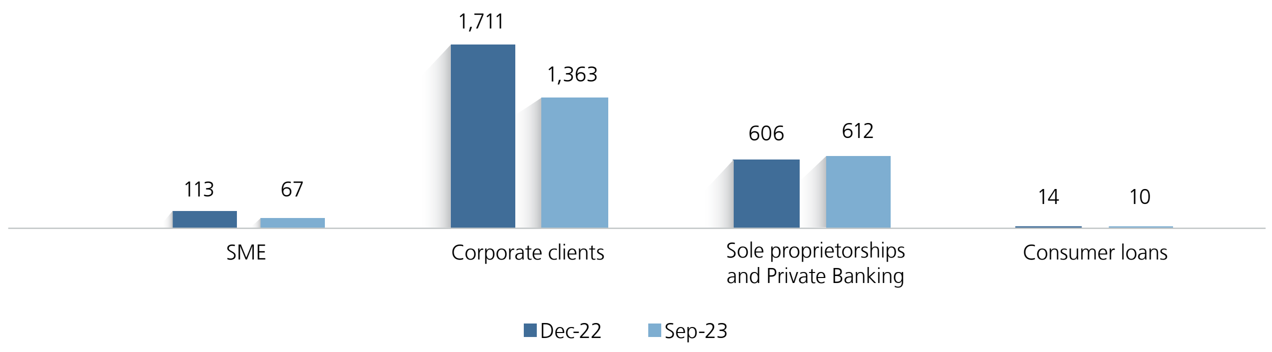


Analysis of Loans by Type of Customer

The distribution of the Bank's net loans of entities operating outside Lebanon by type of borrower continues to show a concentration in the corporate segment which constituted 66% % of the loan book as at end-September 2023 (compared to 70% as end-December 2022), followed by the Sole Proprietorship and Private Banking segment representing 30% of the portfolio (compared to 25% as at end-December 2022).

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

(USD Million)



Analysis of Loans by Economic Sector

By economic sector, the net loan portfolio of entities operating outside Lebanon mainly consists of loans to the Private Banking customers (24%) which increased by USD 18 million in absolute terms (4%) during the first three quarters of 2023, of Developers and real estate services (19%) which decreased by USD 95 million over the same period (19%) and of manufacturing (18%) which decreased by 101 million in absolute terms (21%) over the same period. Management continues to prioritize the contraction of the exposure in risky sectors i.e. Real Estate and Tourism.

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

	Dec-22		Sep-23	
(USD Million)		Share in %		Share in %
Manufacturing industries	474	19%	373	18%
Private Banking	467	19%	484	24%
Developers & real estate services	488	20%	393	19%
Hotels and restaurants	236	10%	186	9%
Electricity, gas and water	144	6%	103	5%
Wholesale trade	169	7%	131	6%
Other loans	466	19%	382	19%
Total	2,444	100%	**2,052**	**100%**

Analysis of Loans by Maturity

An analysis of the evolution of the loan book of entities operating outside Lebanon by maturity in the first three quarters of 2023 shows a decrease in long-term facilities (declining by USD 158 million) and medium-term facilities (declining by USD 127 million).

The structure of this net loan portfolio across maturities changed with an increase in the share of short-term loans in the total to stand at 58% as at end-September 2023 compared to a share of 53% as at end December 2022.

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

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

	Dec-22		Sep-23	
(USD Million)		Share in %		Share in %
Short-term facilities	1,288	53%	1,181	58%
Medium-term facilities	252	10%	125	6%
Long-term facilities	904	37%	746	36%
Total	2,444	100%	**2,052**	**100%**

Analysis of Loans by Type of Collateral

As at end-September, 2023 50% of the consolidated net loan portfolio booked in entities operating outside Lebanon was secured, predominantly by real estate mortgages (51% of the secured portfolio).

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

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

	Dec-22		Sep-23	
(USD Million)		Share in %		Share in %
Secured	**1,200**	**49%**	1,025	50%
Cash co. & bank guarantee	259	11%	183	9%
Real estate mortgage	598	24%	519	25%
Securities (bonds & shares)	322	13%	313	15%
Vehicles	21	1%	10	0%
Corporate or personal guarantees	**852**	**35%**	639	31%
Unsecured	**392**	**16%**	388	19%
Total	2,444	100%	**2,052**	**100%**

Loan Quality(*)

Entities Operating outside Lebanon

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

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

Entities Operating outside Lebanon

(USD Million)	Dec-22	Sep-23	Change Sep-23/Dec-22
Credit-impaired loans	103	**77**	**-26**
o.w. Corporate	99	75	-25
o.w. Retail	3	2	-1
Net loans	2,444	**2,052**	**-392**
o.w. Corporate	2,430	2,042	-388
o.w. Retail	14	10	-4
Allowance for ECL Stage 3	54	**50**	**-4**
o.w. Corporate	51	49	-2
o.w. Retail	2	1	-1
Allowance for ECL Stages 1 & 2	**82**	83	**1**
o.w. Corporate	82	83	1
o.w. Retail	0	0	0
Credit-impaired loans/Gross loans	**4.0%**	3.5%	**-0.5%**
o.w. Corporate	3.9%	3.5%	-0.4%
o.w. Retail	20.4%	17.9%	-2.5%
Net credit-impaired loans/Gross loans	**1.9%**	1.2%	**-0.7%**
o.w. Corporate	1.9%	1.2%	-0.7%
o.w. Retail	7.3%	6.5%	-0.8%
Credit-impaired loans coverage	**52.2%**	64.9%	**12.7%**
o.w. Corporate	51.8%	64.9%	13.1%
o.w. Retail	64.4%	63.8%	-0.6%
Allowance for ECL Stages 1 & 2/Net loans	**3.4%**	4.0%	**0.6%**
o.w. Corporate	3.4%	4.0%	0.6%
o.w. Retail	0.0%	0.0%	0.0%

(*) As per IFRS 9.

Stage 2 exposure of entities operating outside Lebanon dropped by USD 83 million mainly coming from ODEA for USD 80 million as a result of settlement/conversion of FC stage 2 loans and devaluation of the TRY. Stage 2 exposure still represents 16% of gross loans as at end-September 2023 (same as at end-December 2022).

Credit-impaired loans decreased by a further USD 26 million driven by collection efforts and the effect of devaluation on Odea Bank's Stage 3 loans portfolio which is all denominated in Turkish Lira.

3.2. Funding Sources

Funding sources of Bank Audi continue to be predominantly driven by private customers' deposits. As at end-September 2023, consolidated deposits represented 84.4% of total funding sources compared to 72% as at end-December 2022, with the structural shift reflecting predominantly the FX impact following the adoption of the new official exchange rate in 2023. This was compensated by a decrease in the share of shareholders' equity in total funding from 14.9% as at end-December 2022 to 6.6% as at end-September 2023. Banks' deposits, subordinated debt and other liabilities had shares in total funding of 2.6%, 3.0% and 3.4% as at end-September 2023, compared to 8%, 2.0% and 2.8% as at end-December 2022.

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

Breakdown of Funding Sources

(USD Million)	Dec-22	Sep-23	Change in Volume	Change in %
Central Bank's deposits	**1,814**	172	**-1,641**	**-90%**
Time deposit	*1,633*	*172*	*-1,461*	*-89%*
Repurchase agreements	*181*	*-*	*-181*	*-100%*
Banks' deposits	**420**	**292**	**-128**	**-31%**
Sight deposits	*103*	*98*	*-4*	*-4%*
Time deposits	*284*	*177*	*-107*	*-38%*
Repurchase agreements	*33*	*16*	*-17*	*-51%*
Customers' and related parties' deposits	**19,381**	**15,156**	**-4,225**	**-22%**
Sight deposits	*10,247*	*8,216*	*-2,031*	*-20%*
Time deposits, saving accounts and certificates of deposit	*8,570*	*6,757*	*-1,813*	*-21%*
Collateral and margins	*564*	*183*	*-380*	*-67%*
Subordinated loans	**546**	546	**0**	**0%**
Other liabilities	**748**	610	**-139**	**-19%**
Shareholders' equity	**4,017**	1,184	**-2,832**	**-71%**
Total	26,926	**17,960**	**-8,966**	**-33.3%**

Changes in Customers' Deposits

Consolidated deposits moved from USD 19.4 million as at end-December 2022 to USD 15.2 billion as at end-September 2023, i.e. decreasing by USD 4.2 billion. An analysis of this evolution by currency shows that it stems predominantly from the FX effect attributable to the adoption of the new official exchange rate in February 2023 translating in a contraction of deposits denominated in LBP by USD 3.2 billion within a contraction in consolidated customers' deposits in foreign currencies by USD 1 billion. The latter is mostly attributed to a contraction of deposits of Odea Bank by USD 436 million, representing a negative FX impact of USD 530 million within a slight real increase of USD 94 million. In parallel, deposits denominated in foreign currencies of Lebanese entities dropped by USD 331 million while customers' deposits of entities operating in Europe dropped by USD 270 million, representing a decrease in customers' deposits of Banque Audi (Suisse) by USD 368 million, mostly following their transfer into fiduciary deposits (AuM) to benefit from the surge of reference rates globally, partially offset by an increase in deposit in Bank Audi France by USD 98 million. The latter reflects the concerted efforts of Bank Audi Lebanon and Bank Audi France to channel back the deposits of Lebanese customers which lack confidence under the persistent uncertainties characterizing the Lebanese banking sector in banks in Lebanon by offering them an alternative solution under European jurisdiction.

Customers' deposits of Lebanese entities stood at USD 11.1 billion as at end-September 2023, of which USD 428 million denominated in LBP and USD 10.6 billion in foreign currencies, including USD 10.1 billion of restricted deposits in foreign currencies. Customers' deposits of Odea Bank reached USD 2.2 billion as at end-September 2023, while deposits of Private banking entities reached USD 807 million and those of other entities aggregated to USD 1.1 billion, mainly from Bank Audi France.

Subsequently, Lebanese entities account for a share of 72.6% in consolidated customers' deposits as at end-September 2023, followed by a contribution of 14.6% for Odea Bank and 5.3% from Private Banking entities and 7.5% from other entities. This is compared to 74.9%, 13.6%, 6.1% and 5.4% respectively as at end-December 2022.

Analysis of Customers' Deposits by Business Segment

The share of Retail and Personal Banking deposits in consolidated deposits rose to 87.9% as at end-September 2023 compared to 86.1% as at end-December 2022. Retail and Personal Banking deposits reached USD 13.3 billion as at end-September 2023 compared to USD 16.7 billion as at end-December 2022, decreasing by USD 3.4 billion over the period.

In parallel, the share of Corporate and SME deposits in consolidated deposits moved from 13.9% as at end-December 2022, to 12.1% as at end-September 2023. This is driven by a decrease of Corporate and SME deposits from USD 2.7 billion at end-December 2022 to stand at USD 1.8 billion as at end-September 2023.

Analysis of Customers' Deposits by Type

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

In absolute terms, sight and short-term deposits moved from USD 10.8 billion as at end-December 2022 to USD 8.4 billion as at end-September 2023, decreasing by USD 2.4 billion, an evolution principally justified by the negative FX effect of the adoption of the new official exchange rate in Lebanon. They represented 55.4% of total consolidated deposits as at end-September 2023 compared to 55.8% as at end-December 2022.

In parallel, time deposits that include saving deposits and certificates of deposit decreased by USD 1.8 billion over the same period, from USD 8.6 billion as at end-December 2022 to USD 6.8 billion as at end-September 2023, representing 44.6% of total deposits as at end-September 2023 compared to 44.2% as at end-December 2022.

Analysis of Customers' Deposits by Currency

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

Breakdown of Deposits by Currency

	Dec-22		Sep-23		Change Sep-23/Dec-22	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Lebanese Pound	3,605	18.6%	428	2.8%	-3,177	-15.8%
US Dollars	12,172	62.8%	11,452	75.6%	-720	12.8%
Turkish Lira	1,669	8.6%	1,402	9.3%	-267	0.6%
Euro	1,447	7.5%	1,296	8.5%	-151	1.1%
Other currencies	488	2.5%	579	3.8%	90	1.3%
Total	19,381	100.0%	15,156	100.0%	-4,225	

Owing to the adoption of the new official rate in Lebanon in February 2023, the share of deposits denominated in LBP in consolidated customers' deposits dropped from 18.6% as at end-December 2022 to 2.8% as at end-September 2023. In parallel, the share of customers' deposits denominated in US Dollars in the total increased from 62.8% as at end-December 2022 to 75.6% as at end-September 2023, and continued to comprise the bulk of consolidated deposits. The share of deposits denominated in Turkish Lira increased from 8.6% as at end-December 2022 to stand at 9.3% as at end-September 2023 while the share of deposits denominated in Euro in total deposits increased by 1.0% to stand at 8.5% of the total deposits.

Changes in Shareholders' Equity

In the first nine months of 2023, consolidated shareholders' equity of Bank Audi contracted by USD 2.8 billion, from USD 4.0 billion as at end-December 2022 to stand at USD 1.2 billion as at end-September 2023, representing 6.6% of consolidated assets, compared to 14.9% as at end-December 2022.

The said decrease reflects primarily the pervasive impact of the devaluation of the LBP versus the USD and the adoption by Lebanon, early February 2023, of the new official exchange rate, underscoring a devaluation by 10 times relative to the old rate. This effect is even more exacerbated by the non-monetary nature of shareholders' equity, i.e. its value in LBP does not change with the devaluation of the LBP. It was fortunately partially offset by the net asset value of subsidiaries with functional foreign currencies constituting a significant hedge to the Bank's capital (c. USD 686 million).

Shareholders' equity was also impacted by a number of regulatory directives. Of note, the issuance in July 2023 of BDL Intermediate Circular 676, requesting Banks to depart from International Reporting Standards by reclassifying negative foreign exchange differences resulting from the periodic revaluation of FX position from Equity to Other Assets, whereas positive foreign exchange differences have to be reclassified into other liabilities. If negative differences were not liquidated by year-end, provisions against the outstanding amount should be taken. The circular also extended the restriction to distribute dividends to common shareholders based on 2023 results. The application of said circular would imply a significant contraction in shareholders' equity following the reclassification of USD 186 million from equity to liability. This circular was subsequently suspended by Intermediary Circular 677, leading to the reclassification of USD 186 million from Other Liabilities into Equity Despite the subsequent suspension of BDL Intermediate Circular 676, the reporting template of Banking Control Commission in Lebanon ("BCC") for capital adequacy ratios excludes completely from the computation of Tier one capital USD 516 million of gains from Other Comprehensive Income while half of this amount is nonetheless reintegrated in Tier 2.

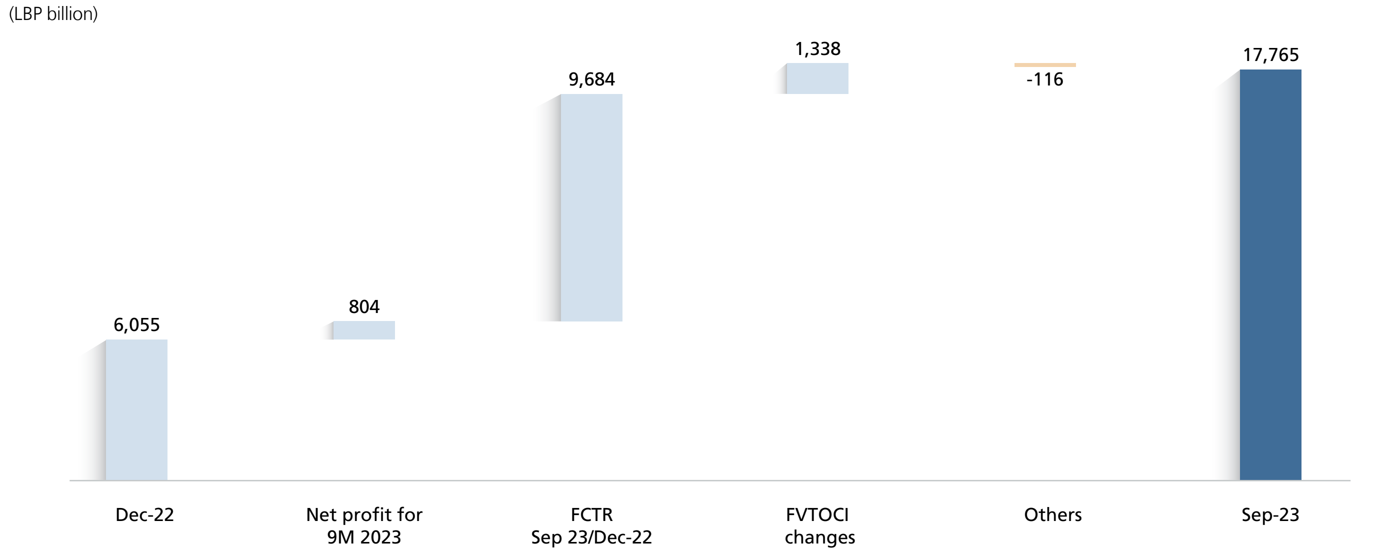
At the date of preparation of this report, Management continues to assess the consequences and measures that might be necessary from the application of the aforementioned latest regulatory changes on its capital needs. In doing so, Management is also taking into account the BCC requirement dated July 2023, to adjust operational risk capital charge by re-computing capital ratios based on the new official exchange rate of LBP15,000 per USD for the foreign currency components of operating income for the years 2020 to 2022, thus resulting in an increase of RWA by USD 1,023 million (+6% increase vs total RWA base figures). Management strongly believes that the resulting capital ratios are not reflecting the true image of the Bank's financial standing.

It had identified three essential measures/actions to be taken in that regards:

• Alignment of BCC to BASEL III framework which includes OCI and all reserves into CET1,
• The revaluation of the Bank's realties at the prevailing Sayrafa rate to be performed by year-end as per regulatory requirements,
• In addition to the bank's internal capital generation for the fourth quarter of 2023.

Discussion with the regulatory bodies are still on going to reach a common understanding of the requirements.

Evolution of Shareholders' Equity in the First Nine Months of 2023



3.3. Group Results of Operations

In the first nine months of 2023, Bank Audi reported consolidated net profits of LBP 804 billion, corresponding to USD 60 million when translated at the compounded average exchange rate of LBP 13,500.83 per USD over the same period. A breakdown by entity shows a contribution of entities operating abroad by USD 104 million totally offsetting a negative contribution of Lebanese entities by USD 44 million. The latter is justified by the allocation of USD 232 million to provisions to cover various costs expected to be booked in the fourth quarter of 2023. Those results are compared to USD 409 million of net profits realized in the first nine months of 2022, broken down over a contribution of USD 354 million for Lebanese entities and USD 55 million for entities operating abroad.

Efforts put forth for the improvement of the contribution of foreign entities to consolidated net profits have then been fruitful. Despite a significant negative FX translation effect, the contribution of Odea Bank to consolidated net profits increased from USD 45.1 million in the first nine months of 2022 to USD 71.3 million in the first nine months of 2023. In parallel, Private Banking reported net profits of USD 21.2 million compared to USD 9.9 million of net profits in the first nine months of 2022 normalized from the effect of the one-off release of provision on RoL instruments sold, while other entities (France and Qatar) contributed to USD 12.5 million of net profits in the first nine months of 2023 compared to USD 4.6 million last year.

A detailed analysis of the performance of Bank Audi Lebanon, by currency (LBP, Local dollars and 'fresh") while excluding any income generated from the BDL or sovereign instruments, and translated at the prevailing market rate of exchange for the Lebanese Pounds versus USD shows that the Bank is able to generate positive core profits from its operations despite the quasi absence of traditional banking activity. Management looks to improve this core profitability via the introduction of new loan and deposits products and the implementation of strict cost efficiency measures.

The one-offs amounted to a negative USD 163 million in the first nine months of 2023, representing predominantly the aforementioned provisions booked on RoL portfolio securities. In the first nine months of 2022, one-off costs amounted to USD 239 million and encompassed mostly a provision no more required following the sale of RoL instruments at the level of Private Banking entities offset by loss realized on the sale of those instruments as well as the allocation to free provision at the level of Odea Bank.

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

Summarised Normalised Consolidated Income Statement

(USD Million)	9M-22	9M-23	YoY 9M-23/9M-22	
Interest income[1]	924	368	-556	-60.1%
Net of new taxes on financial investments	*-88*	*-23*	*64*	*-73.5%*
Non-interest income	258	180	-78	-30.3%
Total income	1,182	**548**	**-634**	**-53.6%**
Operating expenses	494	283	-212	-42.8%
Credit expense	24	13	-11	-47.5%
Income tax	17	30	14	83.1%
Total expenses	535	**326**	**-209**	**-39.1%**
Net profits after tax (normalised from operations)	647	**222**	**-425**	**-65.6%**
+ Crisis-related one-offs	-239	-163	76	-31.7%
= Net profit (loss) after tax and one-offs	409	**60**	**-349**	**-85.4%**

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

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

Net Interest Income

Consolidated net interest income net of taxes, translated at the prevailing average exchange rate for the period, amounted to USD 368 million in the first nine months of 2023, compared to USD 924 million in the corresponding period of 2022, representing a decrease by USD 556 million.

This decrease in consolidated net interest income stems principally from entities operating in Lebanon registering a net interest income of USD 229 million in the first nine months of 2023 relative to USD 775 million in the corresponding period of last year. The drastic decrease reflects predominantly the negative impact of the translation of LBP versus USD in addition to the diminished interest earning activity, in terms of comprehensive deleveraging of the loan portfolio, maturing and the liquidation of high yielding placements in Lebanese securities denominated in LBP (Treasury bills and placements at the Central Bank of Lebanon) to buy foreign currencies, as well as by the effect of regulatory interest rates cuts on placements with the Central Bank of Lebanon denominated in foreign currencies. On the other hand, the contribution of entities operating outside Lebanon to consolidated interest income remained relatively stable reaching USD 139 million in the first nine months of 2023 compared to USD 149 million in the corresponding period of 2022.

Subsequently, consolidated net spread deteriorated year-on-year by 2.3%, from 4.8% in the first nine months of 2022 to 2.5% in the first nine months of 2023. Spread in Lebanese entities moved from 5.2% in the first nine months of 2022 to 1.7% in the first nine months of 2023. In parallel, Odea Bank's spread moved from 4.7% in the first nine months of 2022 to 3.4% in the first nine months of 2023.

Non-interest Income

Normalised consolidated non-interest income moved from USD 258 million in the first nine months of 2022 to USD 180 million in the first nine months of 2023, reporting a decrease by USD 78 million, entirely accounted for by Lebanese entities as a fallout of the decreased banking activity systematically.

Non-interest income of entities operating abroad have increased across the period by USD 49 million moving from USD 62 million in the first nine months of 2022 to USD 110 million in the first nine months of 2023, of which USD 67.5 million generated by Odea Bank (post negative translation impact of the TRY devaluation), USD 35.6 million from Private Banking entities and USD 7.3 million from other entities (mainly Bank Audi France and Bank Audi LLC (Qatar).

By type, the decrease in consolidated non-interest income by USD 78 million reflects predominantly a contraction in net gains from financial instruments by USD 82 million to be added to a contraction in consolidated net commissions by USD 6.3 million, totally offsetting an improvement in FX income by USD 11 million. The contraction in net commissions by USD 6 million is mostly attributed to Lebanese entities registering lower commissions by USD 40.4 million over the period following the downsizing of the lending activity and the absence of traditional banking business. The latter has totally offset the increase in net commission registered at the level of entities operating abroad by USD 34.1 million over the same period, accounted in majority by Odea Bank.

Non-interest income accounted for 1.23% of average assets as at end-September 2023 compared to 1.34% as at end-September 2022.

Total Operating Expenses

In the first nine months of 2023, the Bank's consolidated normalised total operating expenses reached USD 283 million relative to USD 494 million in the first nine months of 2022, registering a decrease by USD 211 million, or 43%. The contribution of entities operating outside Lebanon moved from USD 106 million to USD 132 million, reflecting in large part the prevailing inflationary pressures in the countries of presence, partially offset by the devaluation of the TRY versus the USD. Notwithstanding the USD 211 million decrease in consolidated expenses which stems from Lebanese entities, reflecting the impact of the devaluation of the official exchange rate on the backdrop of the large share of LBP denominated operating expenses, totally offsetting the impact of the prevailing excessive inflation driven by the dollarization of commodities and the reliance for some services on the prices of the domestic oil grid.

Management of Bank Audi Lebanon will continue to enforce a rigorous cost control policy encompassing a continued freeze on recruitment except for critical needs, with an objective of rightsizing its branch network and human capital with respect to the current level of business activity. This rigorous cost optimization policy will go hand in hand with the launch of the new neo bank scheme involving building an end-to-end digital bank with no branches on digital platforms. Taking into consideration the significantly depressed wages level applied, lying at the bottom of the regional benchmark scale which Management is conscious are not sustainable to retain talented staff, cost saving will hence be generated from reduction of the branch-network size whereby branches are replaced by digital outlets, and the subsequent implicit exit of excess staff.

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 2023, Bank Audi's normalised return on average assets stood at 1.5% compared to 3.4% in the corresponding period of last year.

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

Key Performance Metrics(*)

	9M-22	9M-23	Change
Spread	4.80%	2.52%	-2.28%
+ Non-interest income/AA	1.34%	1.23%	-0.11%
= Asset utilisation	6.14%	3.75%	-2.39%
X Net operating margin	54.73%	40.58%	-14.15%
o.w. Cost to income	*41.80%*	*51.54%*	*9.74%*
o.w. Provisons	*2.06%*	*2.33%*	*0.27%*
o.w. Tax cost	*1.41%*	*5.55%*	*4.14%*
= ROAA	3.36%	1.52%	-1.84%
X Leverage	12.57	11.14	-1.43
= ROAE	42.22%	16.94%	-25.28%
ROACE	59.70%	19.20%	-40.50%

(*) Based on normalised consolidated income statement.

02

FINANCIAL STATEMENTS

Interim Condensed Consolidated Financial Statements (Unaudited)

Interim Condensed Consolidated Income Statement

For the nine-month period ended 30 September 2023 (Unaudited)

	Notes	Unaudited for the Period from 1 January to 30 September 2023 LBP Million	Unaudited for the Period from 1 January to 30 September 2022 LBP Million
CONTINUING OPERATIONS			
Interest and similar income		8,771,182	1,895,664
Interest and similar expense		(3,817,450)	(517,251)
Net interest income		**4,953,732**	1,378,413
Fee and commission income		2,067,333	264,997
Fee and commission expense	4	(162,604)	(319,619)
Net fee and commission income (expense)		**1,904,729**	(54,622)
Net trading gain (loss)	5	2,466,753	(83,565)
Net gain (loss) on sale of financial assets at amortised cost		96,466	(8,770)
Non-interest revenues from financial assets at fair value through other comprehensive income		-	57
Share of gain of associates under equity method		13,425	352
Other operating income		540,687	15,988
Total operating income		**9,975,792**	1,247,853
Net (impairment loss) recovery on financial assets	6	(1,682,895)	263,726
Net operating income		**8,292,897**	1,511,579
Personnel expenses		(2,180,295)	(425,029)
Other operating expenses		(4,662,489)	(389,039)
Depreciation of property and equipment and right-of-use assets		(233,635)	(29,598)
Amortisation of intangible assets		(56,056)	(12,355)
Total operating expenses		**(7,132,475)**	(856,021)
Operating profit		**1,160,422**	655,558
Net gain (loss) on revaluation and disposal of fixed assets		330	(318)
Profit before tax from continuing operations		**1,160,752**	655,240
Income tax		(356,255)	(39,295)
Profit for the period from continuing operations		**804,497**	615,945
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations, net of tax		-	-
Loss for the period		**804,497**	615,945
Attributable to:			
Equity holders of the parent		**577,442**	599,866
Profit for the period from continuing operations		**577,442**	599,866
Profit for the period from discontinued operations		-	-
Non-controlling interests		**227,055**	16,079
Profit for the period from continuing operations		**227,055**	16,079
Profit for the period from discontinued operations		-	-
		804,497	615,945
Earnings per share:			
		LBP	LBP
Basic and diluted earnings per share		983	1,540
Basic and diluted earnings per share from continuing operations		983	1,540

Interim Condensed Consolidated Statement of Comprehensive Income

For the nine-month period ended 30 September 2023 (Unaudited)

	Notes	Unaudited for the Period from 1 January to 30 September 2023 LBP Million	Unaudited for the Period from 1 January to 30 September 2022 LBP Million
Profit for the period from continuing operations		804,497	615,945
Other comprehensive income (loss) that will be reclassified to the income statement in subsequent periods from continuing operations			
Foreign currency translation			
Exchange differences on translation of foreign operations		9,880,610	(166,684)
Net foreign currency translation		9,880,610	(166,684)
Cash flow hedge			
Net hedging gain (loss) arising during the period		39,223	(4,003)
Tax effects		(10,677)	801
Net change in cash flow hedge		28,546	(3,202)
Debt instruments at fair value through other comprehensive income			
Net unrealised (loss) gain		(602,167)	81,140
Tax effects		148,077	(20,839)
Net (loss) gain on debt instruments at fair value through other comprehensive income		(454,090)	60,301
Total other comprehensive income (loss) that will be reclassified to the income statement in subsequent periods from continuing operations		9,455,066	(109,585)
Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations			
Loss resulting from exchange of foreign currencies	5	-	(1,633,876)
Revaluation on land and buildings			
Tax effects		223	-
Net revaluation of lands and buildings		223	-
Remeasurement gain on defined benefit plans			
Actuarial loss on defined benefits plans		1,713	-
Net remeasurement gain on defined benefit plans		1,713	-
Equity instruments at fair value through other comprehensive income			
Net unrealised gain (loss)		1,749,771	(1,519)
Tax effects		(296,340)	(34)
Net unrealised gain (loss) on equity instruments at fair value through other comprehensive income		1,453,431	(1,553)
Total other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations		1,455,367	(1,635,429)
Total comprehensive income (loss) for the period from continuing operations, net of tax		10,910,433	(1,745,014)
Total comprehensive income (loss) for the period, net of tax		11,714,930	(1,129,069)
Equity holders of the parent		11,044,480	(1,129,417)
Non-controlling interests		670,450	348
		11,714,930	(1,129,069)

Interim Condensed Consolidated Statement of Financial Position

As at 30 September 2023 (Unaudited)

	Notes	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
ASSETS			
Cash and balances with central banks		148,085,042	14,304,554
Due from banks and financial institutions		27,255,787	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements		1,939,228	216,397
Derivative financial instruments	7	627,329	119,143
Financial assets at fair value through profit or loss	8	2,690,186	256,745
Loans and advances to customers at amortised cost	9	34,151,234	5,871,120
Loans and advances to related parties at amortised cost		578,682	64,475
Debtors by acceptances		118,417	7,055
Financial assets at amortised cost	10	33,863,357	7,055,456
Financial assets at fair value through other comprehensive income	11	7,320,021	1,031,841
Investments in associates		153,509	14,359
Property and equipment and right-of-use assets		8,317,281	7,646,768
Intangible assets		279,447	60,777
Assets obtained in settlement of debt		550,532	163,400
Other assets	12	2,384,028	662,458
Deferred tax assets		662,931	57,195
Goodwill		422,316	42,442
TOTAL ASSETS		269,399,327	40,590,951
LIABILITIES			
Due to central banks	13	2,574,702	2,733,967
Due to banks and financial institutions		4,131,487	583,485
Due to banks under repurchase agreements		244,486	49,799
Derivative financial instruments	7	657,020	54,560
Customers' deposits	14	226,289,747	29,100,938
Deposits from related parties		1,054,596	116,350
Debt issued and other borrowed funds	15	8,189,346	823,443
Engagements by acceptances		118,417	7,055
Other liabilities	16	2,970,126	405,821
Current tax liabilities		176,734	28,996
Deferred tax liabilities		338,535	100,297
Provisions for risks and charges	17	4,888,985	530,898
TOTAL LIABILITIES		251,634,181	34,535,609
SHAREHOLDERS' EQUITY – GROUP SHARE			
Share capital – common shares		982,859	982,859
Share capital – preferred shares		10,020	10,020
Issue premium – common shares		902,290	902,290
Issue premium – preferred shares		894,480	894,480
Cash contribution to capital		72,586	72,586
Non-distributable reserves		2,535,489	2,529,255
Distributable reserves		35,995	35,995
Treasury shares		(5,509)	(9,537)
Accumulated losses		(4,883,535)	(4,193,502)
Other components of equity	18	15,875,754	5,408,056
Result of the period		577,442	(673,985)
		16,997,871	5,958,517
NON-CONTROLLING INTERESTS		767,275	96,825
TOTAL SHAREHOLDERS' EQUITY		17,765,146	6,055,342
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		269,399,327	40,590,951

Interim Condensed Consolidated Statement of Changes in Equity

For the nine-month period ended 30 September 2023 (Unaudited)

	Attributable to the Equity Holders of the Group													
	Share Capital - Common Shares	Share Capital - Preferred Shares	Issue Premium - Common Shares	Issue Premium - Preferred Shares	Cash Contribution to Capital	Non-distributable Reserves	Distributable Reserves	Treasury Shares	Accumulated Losses	Other Components of Equity	Result of the Period	Total	Non-controlling Interests	Total Shareholders' Equity
	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million
Balance at 1 January 2023	**982,859**	**10,020**	**902,290**	**894,480**	**72,586**	**2,529,255**	**35,995**	**(9,537)**	**(4,193,502)**	**5,408,056**	**(673,985)**	**5,958,517**	**96,825**	**6,055,342**
Net gain for the period	-	-	-	-	-	-	-	-	-	-	577,442	577,442	227,055	804,497
Other comprehensive income	-	-	-	-	-	-	-	-	-	10,467,038	-	10,467,038	443,395	10,910,433
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,467,038**	**577,442**	**11,044,480**	**670,450**	**11,714,930**
Appropriation of 2022 profits	-	-	-	-	-	6,234	-	-	(680,219)	-	673,985	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	4,028	(8,065)	-	-	(4,037)	-	(4,037)
Sale of FVTOCI	-	-	-	-	-	-	-	-	(660)	660	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	(1,089)	-	-	(1,089)	-	(1,089)
Balance at 30 September 2023	**982,859**	**10,020**	**902,290**	**894,480**	**72,586**	**2,535,489**	**35,995**	**(5,509)**	**(4,883,535)**	**15,875,754**	**577,442**	**16,997,871**	**767,275**	**17,765,146**
Balance at 1 January 2022	982,859	10,020	902,290	894,480	72,586	1,869,717	496,533	(9,190)	(90,155)	(1,181,287)	(285,751)	3,662,102	94,091	3,756,193
Adjustment related to prior years (Note 2.5.)	-	-	-	-	-	-	-	-	(1,395,086)	-	-	(1,395,086)	-	(1,395,086)
Adjusted balance at 1 January 2022	982,859	10,020	902,290	894,480	72,586	1,869,717	496,533	(9,190)	(1,485,241)	(1,181,287)	(285,751)	2,267,016	94,091	2,361,107
Net loss for the period	-	-	-	-	-	-	-	-	-	-	599,866	599,866	16,079	615,945
Other comprehensive loss	-	-	-	-	-	-	-	-	(1,633,876)	(95,407)	-	(1,729,283)	(15,731)	(1,745,014)
Total comprehensive loss	-	-	-	-	-	-	-	-	(1,633,876)	(95,407)	599,866	(1,129,417)	348	(1,129,069)
Appropriation of 2021 profits	-	-	-	-	-	2,299	-	-	(288,050)	-	285,751	-	-	-
Transfer between reserves	-	-	-	-	-	644,677	(479,263)	-	(165,308)	(106)	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	1,874	-	-	1,874	-	1,874
Balance at 30 September 2022	982,859	10,020	902,290	894,480	72,586	2,516,693	17,270	(9,190)	(3,570,601)	(1,276,800)	599,866	1,139,473	94,439	1,233,912

Notes to the Interim Condensed Consolidated Financial Statements

As at 30 September 2023 (Unaudited)

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1.0. Corporate Information

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

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

The interim condensed consolidated financial statements were authorised for issue in accordance with the Board of Directors' resolution on 16 November 2023.

1.1. Macroeconomic Environment

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

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

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

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

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

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

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

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

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

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

In mid-2021, BdL Basic Circular 158 was issued defining the mechanism for the gradual settlement of foreign currency deposits up to an amount of USD 50,000 based on several eligibility criteria. Eligible funds will be transferred to a subaccount and paid on a monthly basis of USD 400 (amended later on to USD 300 for all contracts signed with customers after 1 July 2023 following the issuance of BDL intermediate circular 674 on 5 July 2023) in cash or equivalent and an amount in LBP equivalent to USD 400 and converted at a rate of LBP 12,000 to the US Dollar (before amendment at a rate of LBP 15,000 to the US Dollar on 20 January 2023) that will be paid 50% in cash and 50% credited to a payment card. The Central Bank of Lebanon recently announced that as at 31 December 2022, 170,000 depositors have so far benefited from the application of this circular for a total amount of USD 1.2 billion. The LBP portion was later on removed with the issuance of Intermediate Circular 674 issued on 5 July 2023.

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

Lebanese Government's Financial Recovery Plan

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

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

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

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

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

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

International Monetary Fund (IMF)

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

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

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

As of date, the parliament approved the reformed bank secrecy law and the 2022 budget. While no much progress was achieved on other fronts, the IMF issued in May 2023 its 2023 Article IV Mission.

With respect to fiscal strategy, the IMF report says that a restructuring of Eurobonds together with an ambitious but feasible improvement in the primary balance should aim to reduce the debt-to-GDP ratio and the gross financing needs to sustainable levels. The tax base should be broadened to create space for higher social and reconstruction spending, while expenditure policy reforms should create a more efficient public administration. Strong international donor financing on concessional terms would be needed to support the authorities' efforts. Wide-raging SOEs reforms are needed to improve their governance, operational viability and limit fiscal risks, particularly, the energy sector to provide better and fairly priced services without draining public resources.

As to monetary policy, the IMF says that unification of the exchange rate and tight monetary policy are needed to rebuild credibility and improve the external position of the economy. Unification would remove harmful distortions, eliminate rent-seeking opportunities, reduce pressures on FX reserves, and pave the way for a market-determined exchange rate. The process should be accompanied by temporary capital controls to help guard the limited FX resources in the financial system needed to ensure an equitable solution for depositors. To help reduce inflation following unification, tight monetary policy would need to make use of all the available tools, and central bank financing to the government should be strictly prohibited. Foreign exchange interventions will need to be very limited and only for disorderly market conditions.

The IMF says upfront actions needed to address the exceptionally large financial sector losses that are due to systemic rather than individual crisis. While the precise formulation of measures should be decided by the authorities, the broader objectives should aim to restore banks profitability and solvency and ensure compliance with prudential requirements according to the Fund. These are essential for confidence in the banking system to return and for banks to be able to play their institutional role in safely intermediating resources in the economy. In this context, the roadmap ahead could include:

-Writing off capital, subordinated debt instruments, and related-party deposits.

-Internal recapitalization through a reduction of the overall deposits by a combination of: (i) write-offs; (ii) conversion into equity or long-term

bonds in banks; and (iii) lirafication of deposits at non-market rates.
-Protection of small FX depositors up to a certain amount in viable banks that will undergo restructuring and recapitalization based on a forward-looking analysis of their business plans.
-Fresh capital from current and/or new shareholders for viable banks to recapitalize and restructure these banks under credible and time-bound plans for each bank.
-The exit of unviable banks (by liquidation or a merger with stronger banks).

At the end of a two-week staff visit to Lebanon in September 2023, the IMF said, that Lebanon has not undertaken the urgently needed reforms, and this will weigh on the economy for years to come. The lack of political will to make difficult, yet critical, decisions to launch reforms leaves Lebanon with an impaired banking sector, inadequate public services, deteriorating infrastructure, worsening poverty and unemployment conditions, and a further widening of the income gap. Inflation remains in triple digits, further compressing real incomes, and foreign exchange (FX) reserves continued to decline in the first half of the year, including due to Banque du Liban's (BdL's) financing of quasi-fiscal operations and the large current account deficit.

The seasonal uptick in tourism has increased FX inflows over the summer months. While this is unlikely to persist, it gives the impression that the economy has bottomed out of the crisis and is leading to complacency. However, receipts from tourism and remittances fall far short of what is needed to offset a large trade deficit and lack of external financing. The current trajectory of the external balance is unsustainable and underscores the urgency of the situation.

The recent decisions taken by the BdL's new leadership to phase out the Sayrafa platform, establish a reputable and transparent FX trading platform, end the drawdown of FX reserves, curb monetary financing, and enhance financial transparency are steps in the right direction. Building on this progress, there is now the opportunity for comprehensive reforms to strengthen BdL's governance, accounting, and FX operations in line with international best practices. Moreover, all official exchange rates should be unified at the market exchange rate, which would help eliminate opportunities for arbitrage and rent-seeking that place a burden on public finances according to the IMF.
These steps should be supported temporarily by the capital and withdrawal restrictions law, and complemented with policy action from the Government and Parliament to curb the twin deficits and address the problems in the financial sector by recognizing the losses and advancing the restructuring of banks.

The government needs to implement a coherent fiscal strategy to restore debt sustainability and create space for social and infrastructure spending. For this strategy to be effective, improving revenue mobilization is a critical priority. The government has taken gradual action towards adjusting revenue collection to the exchange rate depreciation by adopting a more realistic rate for tax base valuation and readjusting tax schedules and fees to plausible values, which has resulted in notably higher revenues. However, more needs to be done. The 2023 budget remains lacking in terms of timeliness and coverage. It does not accurately reflect the true extent of the deficit and associated monetary financing. While on time, the proposed 2024 budget should ensure that it is consistent with the exchange rate unification process, started by BdL, and that the preferential treatment of certain taxpayers over others is avoided. It should also include sufficient resources to rebuild the tax administration to strengthen compliance and improve tax fairness. In this respect, we encourage the authorities to start implementing the key elements of the Fund's tax policy reform recommendations, published in the 2023 Technical Assistance Report on Putting Tax Policy Back on Track, and start rehabilitation plans of major SOEs.

A plan to restructure the banking sector is still not in place. This inaction has led to a significant decline in recoverable deposits and impedes the provision of credit to the economy. While work is progressing well on a revised bank resolution law, it needs to be completed so that the law can be resubmitted to Parliament. Amendments to the Bank Secrecy Law, which are aimed at addressing deficiencies, and the draft Law on Capital Controls and Deposit Withdrawals, are still awaiting parliamentary approval as per the IMF.

Budget Draft Law 2024

The Cabinet, which embarked on the discussion of the 2024 budget transferred from the Ministry of Finance to the Cabinet few weeks ago, quickly ratified it within constitutional deadlines, a first since the year 2002.

MPs may then have to review and approve two draft budgets at the same time, given that the 2023 budget, approved well outside the deadline last August, has also just been forwarded to them.

Both texts contain numerous tax adjustments to take account of the depreciation of the Lebanese lira, which has plummeted since the start of the country's economic crisis in 2019.

The 2024 budget revolves around total spending of LBP 301 trillion, against LBP 259 trillion for revenues, leaving 42 trillion for fiscal deficit, the equivalent of USD 464 million (2.5% of GDP and 13.9% of expenditures).

With debt service budgeted at LBP 15 trillion, the budget 2024 targets a primary deficit of LBP 27 trillion, the equivalent of USD 300 million (1.7% of GDP).

A New fee is suggested for rapid and emergency services in public entities, with proceeds to be distributed for public sevants as follows: 50% for the employees of the public entity that provided the service, 5% for control entities, 10% for the employees of public entities that don't provide service, 15% for the public sector employees fund and 20% for the Government Treasury

A new Environmental fee is imposed on imports varying from 0.10% to 0.50% of the value of the imported product. A new fiscal stamp for education service transactions would be introduced as well. New fees for judiciary lawsuits and for practicing engineering profession would also be introduced.

Change in BdL Governorship

By end-July, the term of the BDL Governor ended without being replaced by a New Governor. Prerogatives went to the First Vice Governor Wassim Mansouri, supported by the three other Vice Governors.

In an effort to address the economic crisis in Lebanon, BDL four Vice Governors have submitted a comprehensive and constructive financial plan to the Administration and Justice Committee of the Parliament. The plan focuses on revising the budget, implementing capital controls, restructuring banks, addressing the fiscal gap, protecting deposits, and enhancing cooperation between BDL, the Parliament, and the government to regulate the dollar market.

The preliminary comprehensive plan aims to correct the monetary policy and initiate the process of economic recovery. Its main objective is to float the exchange rate in a managed manner on an internationally recognized exchange platform, reflecting the true value of the Lebanese Pound. The plan is expected to be implemented over a six-month period while ensuring social stability and safeguarding the purchasing power of public sector employees and the most vulnerable segments of society.

The plan constitutes a high level plan to enable the correction of the monetary policy, and start the recovery process. Its major objective is to float the exchange rate in a "managed" manner on an internationally recognized exchange platform, so that it reflects the real value of the Lebanese Pound.

Maritime Border Demarcation Agreement

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

Within this context, the Lebanese Petroleum Administration - Ministry of Energy and Water stated in October that after the completion of the drilling activities related to the Exploration Well Qana 31/1 at the drilling site in Block no. 9 Offshore Lebanon by the operator Total Energies, and after the completion of the data acquisition and collection of samples resulting from the drilling activities on Sunday night – Monday (15-16 October 2023), and while waiting for the detailed technical report being prepared by Total Energies, and in compliance with the principles of transparency that the Ministry and the Petroleum Administration have always followed, clarifying the following is a must :

The choice of the well location in the unexplored Qana Basin aimed to provide answers to two essential questions for the future of exploration operations in the Lebanese offshore:

1- Confirmation or denial of the existence of reservoirs and their quality, specific to the Lebanese offshore, in a geological layer where reservoirs have not yet been discovered in the Levantine Basin.
2- The extent of similarity and extension of the geological layers in which gas discoveries have been recorded in the Sea of occupied Palestine with their counterparts in the Lebanese offshore and the confirmation or denial of the existence of gas reservoirs and their quality.

Through drilling, the targeted layers were penetrated and the presence of a reservoir of good quality containing gas was confirmed in the geological layer where reservoirs have not yet been discovered in the Levantine Basin. The discovery of this reservoir in the Qana Basin requires an extensive study for a deeper understanding that allows the mapping of this type of reservoir in the Qana Basin, along Block 9 and the surrounding blocks in order to determine the locations of reservoirs that can contain hydrocarbons in commercial quantities.

The extension of the geological layers in which gas discoveries were recorded in the Sea of occupied Palestine to the Lebanese offshore was also confirmed, and the presence of reservoirs of very good quality, which contained traces of gas at the site where the well was drilled, was confirmed. In the coming months, the focus would be on using the data acquired and samples collected from inside the well for more accurate modeling of the Qana Basin in order to determine the geographical extent of the reservoirs discovered within it and in the surrounding areas and raise the success rate to achieve future gas discoveries in the Qana Basin and the surrounding areas, which extend over several marine blocks.

Although there was no hydrocarbons discovery as a result of the drilling of this well, the data and samples obtained from inside the well will constitute new hope and positive data for the continuation of exploration operations in Block 9 and other blocks, especially those surrounding Block 9, as it gives additional impetus to exploration in the Lebanese offshore.

Presidential Vacuum

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

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

Regional conflict

With the start of the fourth quarter of 2023, a security drift has erupted in the region with severe casualties and damages, and with potential repercussions to the Levant at large. Any broadening of the conflict to the Lebanese territory could imply further massive economic losses for Lebanon, with significant adverse effects on financial and monetary conditions. It would widen the current large cyclical output gap of 70% today, worsen Lebanon's already hefty inflation rate, currently in the realms of 300%, increase poverty and unemployment, now exceeding 80% and 30% respectively, and further erode the currency's exchange rate and the purchasing power of the Lebanese population at large.

Unlike the July 2006 conflict, Lebanon's economic outlook is already weak, its domestic political challenges are unresolved and current ties with the Gulf States could suggest no substantial infusion of reconstruction funds. Notwithstanding the fact that any broadening of the conflict could affect offshore hydrocarbon exploration on which Lebanon counts considerably to get out of its lingering economic crisis with time.

1.2. Regulatory Environment

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

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

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

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

- Intermediate Circular 567 issued on 26 August 2020 (amending Basic Circular 23, 44 and 78), which partly altered the directives for the determination of expected credit losses and regulatory capital calculation and ratios, previously set in its Intermediate Circular 543 issued on 3 February 2020. Loss rate applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in foreign currencies was increased from 9.45% to 45%, (later on increased again to 75% by Intermediate Circular 649), while loss rates applied for the calculation of regulatory expected credit losses on exposures to Lebanese sovereign bonds in local currency, exposures to the Central Bank of Lebanon in foreign currencies and exposures to the Central Bank of Lebanon in local currency remained the same (0%, 1.89% and 0% respectively).
  - Allowing banks to constitute the expected credit losses on exposures to Lebanese sovereign and the Central Bank of Lebanon, progressively over a period of five years, noting that the Central Bank of Lebanon's Central Council may accept to extend the term to 10 years for banks that manage to complete the 20% cash contribution to capital requirement. Intermediate circular 649 issued on 24 November 2022 replaced the aforementioned five years and ten years deadline by the fixed dates of 31 December 2026 and 31 December 2029 respectively.
  - Allowing banks not to automatically downgrade loan classification or staging for borrowers that were negatively affected by the COVID-19 pandemic, showing past due and unpaid for the period from 1 February 2020 to 31 December 2020. These borrowers must be identified as either still operating on a going concern basis or not. In case the borrower is still operating as a going concern, the Bank may reschedule the loan. In exceptional cases when the borrower ceases to operate as a going concern following the impact of the COVID-19 pandemic, the Bank must immediately downgrade the loan classification and staging to Stage 3 (default).
  - Requesting from banks to finalise the assessment of the future financial position of their customers by 31 December 2020, and to estimate expected credit losses based on this assessment and recognise the financial impact in the statement of income for the year ended 31 December 2020.
  - Prohibiting banks from distributing dividends on common shares for the years 2019 and 2020 (Years 2021, 2022 and 2023 were subsequently added by way of Intermediate Circulars 616, 659 and 676 respectively).
  - Requesting from banks to increase their own funds (equity) by an amount equal to 20% of their common equity Tier 1 capital as of 31 December 2018, through issuing new foreign currency capital instruments that meet the criteria for inclusion as regulatory capital, except retained earnings and gain from revaluation of fixed assets. The Central Bank of Lebanon's Central Council may exceptionally approve for a bank to complete 50% of the 20% required capital increase through the transfer of real estate properties from the shareholders to the concerned bank. However, these real estate properties must be liquidated in a period of 5 years following the operation.
  - Changing the treatment of revaluation of fixed assets reserve for regulatory capital calculation, to become allowed for inclusion as Common Equity Tier 1 (previously 50% of this reserve was allowed for inclusion as Tier 2), subject to approval of the Central Bank of Lebanon on the revaluation gain. However, on 20 January 2023, Intermediate Circular 659 capped the inclusion of revaluation of fixed assets at 50% under certain conditions while allowing the use of the prevailing Sayrafa rate at the end of each reporting period over 5 years. Besides, it widened the scope of revaluation to include participations and long-term loans to affiliated banks and financial institutions.
  - Banks must comply with the minimum capital adequacy ratios and are forbidden from distributing profits if these ratios drop below 7% for common equity Tier 1, 10% for Tier 1 and 12% for total capital. Banks must maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1.
    When the buffer is drawn down, banks are required to rebuild it. However, under exceptional circumstances, the buffer may be drawn down during 2020 and 2021, but must be rebuilt progressively starting 2022, by at least 0.75% each year, to reach the minimum required of 2.5% by end of 2024.
  - Preparing and presenting to the Central Bank of Lebanon a comprehensive plan for rectifying non-compliances with regulatory capital requirements and other regulations imposed by the Central Bank of Lebanon, taking into consideration all required provisions by the Banking Control Commission of Lebanon (BCCL), as well as other losses or provisions that the Bank expects to incur from all kinds of exposures to risks, and specifying the period of time needed to address the non-compliances.
  - Exceptionally for the years 2020 and 2021, Allowances for Expected Credit Losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, may be included under regulatory Common Equity Tier 1. This treatment will be amortised over a period of 3 years (2022-2024 by 25% yearly).

- Basic Circular 154 issued on 27 August 2020 and aiming mainly at restoring the operations of banks in Lebanon to their normal levels as at before October 2019, and rectifying any non-compliance with regulatory ratios and banking regulations. The circular mainly introduced the following measures:
  - Requesting banks to present a fair assessment of the value of their assets and liabilities for the purpose of putting in place the comprehensive plan referred to in Intermediate Circular 567 (refer to above), in order to be able, within a period limited in time, to comply with the regulatory and banking requirements, mainly those related to liquidity and solvency, and in order to restore the operations of the Bank to their normal levels as at before October 2019.
  - Requesting banks to incite each customer who has transferred abroad, between 1 July 2017 and the date of the circular, more than USD 500,000 or their equivalent in other foreign currencies, to deposit in a 5-year term "special account" an amount equal to 15% to 30% (depending on the type of customer) of the transferred amount. Banks shall use this type of deposits to facilitate foreign operations that stimulate the national economy. This is also applicable for 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 accounts shall be at no time less than 3% of the Bank's total foreign currency deposits as at 31 July 2020, by 28 February 2021. The requirement was later amended through Intermediate Circular 645 to consider foreign currency deposits as at 30 September 2022 as the basis for the computation instead of 31 July 2020, thus lowering liquidity required levels as customers' deposits decreased over the period.
  - Requesting from banks, after taking consideration of their fair assessment of their financial position, to present a plan during the first quarter of 2021, to address recapitalisation needs, if any, to the Central Bank of Lebanon's Central Council, for its approval. Banks shall take the necessary legal and regulatory measures in order to facilitate the consensual possibility for their depositors to transfer their deposits to shares or bonds. Bank shares will be exclusively listed in Beirut. Banks can pay interest on the bonds that exceed current levels.

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

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

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

- Basic Circular 158 issued on 8 June 2021 and defining the mechanism for the gradual settlement of foreign currency deposits up to an amount equivalent to USD 50,000. To benefit from the provisions of the said circular, certain eligibility criteria must be met.

Eligible funds will be transferred to a subaccount over which banking secrecy will be lifted vis-à-vis BdL and BCC before being gradually withdrawn and remitted to the customer on a monthly basis. Customers' monthly entitlements are (i) an amount of USD 400 in cash or equivalent (transfer abroad, credited to a payment card with international usage, etc.) (amended later on to USD 300 for all BdL 158-based contracts signed with the customers after 1 July 2023 following the issuance of BdL intermediate circular 674 on 5 July 2023) and (ii) an amount in LBP equivalent to USD 400 and converted at a rate USD/LBP 12,000 (before amendment USD/LBP at 15,000 on 20 January 2023), noting that 50% of the amount will be paid in cash and 50% will be credited to a payment card. The portion in LBP was later on removed with the issuance of BdL Intermediate Circular 674.

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

- Basic Circular 159 issued on 17 August 2021 preventing banks from processing foreign currency funds received from customers whether in the form of cash or through offshore transfers at a value other than its face value, with the exception of transactions pertaining to the settlement of loans (which was subsequently removed by Intermediate Circular 671 issued on 20 June 2023). It also prevented banks from purchasing foreign currencies at parallel rate with the exception of the purchase foreign currencies duly recorded on the electronic platform and resulting from offshore incoming transfers with the purpose of (i) enhancing liquidity, (ii) engaging in medium or long term investments, (iii) settling international commitments. Finally, the circular prevented banks from purchasing bankers' checks and other bank accounts in foreign currencies, whether directly or indirectly.

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

  Intermediate Circular 601 issued on 8 December 2021 is an amendment to the provisions of Basic Circular 151. The circular stipulates that the Platform Rate to be applied for withdrawal cash from foreign currencies accounts is LBP 8,000 USD/LBP up to a maximum limit of USD 3,000 per month. On 20 January 2023, Intermediate Circular 657 amended the rate to be 15,000 instead of 8,000 while reducing the limit from USD 3,000 per month to USD 1,600 per month. On 5 July 2023, Intermediate Circular 673 removed the maximum conversion amount of USD 1,600 per month per customer. However, BDL maintained its commitment to buy from the Bank a maximum amount of USD 1,600 per month per customer.

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

- Intermediate Circular 616 issued on 3 March 2022 prohibiting banks from distributing dividends to ordinary shareholders from results of financial years 2019, 2020 and 2021 (year 2022 and 2023 were added through Intermediate Circular 659 and 676 respectively).

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

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

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

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

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

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

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

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

- Intermediate Circular 664 issued on 28 March 2023 (amending Basic Circular 81) requires banks to comply with article 863 of the Civil Procedure Law, which does not allow blocking partially or in full the wages and retirement pensions of employees, workers and servants and the salaries of civil servants, for the settlement of retail loans in foreign currencies except according to the ceilings set in the mentioned article. Banks were requested to reschedule retail loans provided in foreign currencies so that the related monthly settlements don't exceed the ceilings of article 863 nor 35 % of the family income.

- Basic Circular 165 issued on 19 April 2023 and requesting banks to open new accounts at BdL in LBP and in USD specifically and exclusively for the "Cash Money" (i.e. money transferred from abroad and/or received as banknotes in foreign currencies after 17/11/2019 in addition to the money deposited or which will be deposited as banknotes in new accounts in LBP and which respect the conditions set in BdL basic circular 150 for "fresh money"). These new accounts will be used for the settlement, compensation & transfer operations through BdL National Payment System (BDL-NPS).

- Intermediate Circular 667 issued on 13 April 2023 (amending Basic Circular 69) enhancing the framework of "Electronic Banking and Financial Operations" by introducing mainly new detailed rules applicable to E-signature, E-KYC and data protection, along with the related authorization processes from regulatory bodies.

- Intermediate Circular 675 issued on 24 July 2023 (amending Basic Circular 32) amending the way open position is computed based on monetary vs non-monetary definition as per International Reporting Standards effective 30.06.2023. Banks not abiding by regulatory FX limits (net trading position <1% of equity, global trading position <40% of equity, etc.) were given until end-August 2023 to regularize their position, subject to penalties afterwards. Besides, the circular freezes new requests for the constitution/amendments of structural and fixed positions. On 11 September 2023, the Intermediate Circular 677 was issued and suspended the requirement to regularize net trading position and global trading position by end-August 2023.

- Intermediate Circular 676 issued on 24 July 2023 (amending Basic Circulars 34 and 44) requesting from Banks to depart from International Reporting Standards by reclassifying negative foreign exchange differences resulting from the periodic revaluation of FX position from Equity to Other Assets, whereas positive foreign exchange differences have to be reclassified into other liabilities. If negative differences were not liquidated by year-end, provisions against the outstanding amount should be taken. The circular also extended the limitation to distribute dividends to common shareholders based on 2023 results. On 11 September 2023, the Intermediate Circular 677 was issued and suspended the aforementioned reclassification to other assets or other liabilities.

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 interim condensed consolidated financial statements at the official published exchange rate as follows:

	2023		2022	
	Rate as at 30 September	Average Rate for the Nine-month Period Ended 30 September	Rate as at 31 December	Average Rate for the Nine-month Period Ended 30 September
	LBP	LBP	LBP	LBP
US Dollar	15,000	13,500.83	1,507.5	1,507.5
Euro	15,916.50	14,614.47	1,603.83	1,606.21
Swiss Franc	16,488.95	14,966.47	1,628.67	1,589.42
Turkish Lira	546.99	599.30	80.61	96.83
Saudi Riyal	3,999.50	3,598.86	401.09	401.66
Qatari Riyal	4,114.20	3,702.06	412.56	412.30

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

- On 21 April 2020, the Central Bank of Lebanon issued Basic Circular 151 concerning depositors who wish to withdraw amounts of cash from their "local" foreign currencies accounts as per a specific rate up to limits set by their bank. The limits set by banks in Lebanon had monthly averages of USD 3,000 per bank account. The specific rate was USD 1 /LBP 3,900 throughout the period from the issuance of the circular. During December 2021, it was increased to USD 1 /LBP 8,000 and to USD 1/LBP 15,000 subsequent to year end 2022.

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

	Rate as at 30 September 2023	Average Rate for the Nine-month period ended 30 September 2023	Rate as at 31 December 2022	Average Rate for the Nine-month period ended 30 September 2022
	LBP	LBP	LBP	LBP
US Dollar	86,200	72,690	38,000	24,150

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

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

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

- On 5 July 2023 the Central Bank of Lebanon issued Intermediate Circular 674 and introduce several amendments to the Basic Circular 158. First, it cancelled the amount in LBP that clients were able to withdraw on a monthly basis from their foreign currencies accounts opened before October 31, 2019. Second, for the US Dollars portion, the monthly withdrawal remains unchanged at USD 400 per month from the outstanding balance of subaccount opened prior to 1 July 2023 when the client signed the agreement with the Bank based on the aforementioned circular. Third, for all subaccounts created after 30 June 2023, the monthly withdrawal limit is set at USD 300 per month.

- On 3 October 2023, the Central Bank of Lebanon issued Intermediate Circular 679 amending the Basic Circular 147 and prohibiting banks from collecting any kind of fees on deposit accounts that were not applicable before 31 October 2019. Besides, Banks were also requested to set a list explaining the effective cost of accounts imposed on clients and how they are calculated, noting that they are not allowed to impose any fee or cost that is not apparent in said list. The latter should be published in branches and on the Bank's website before 16 October 2023.

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

In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. Sayrafa Rates and parallel market rates remained highly volatile and divergent from the new official published exchange rate (LBP 42,000 and LBP 58,200 respectively at 1 February 2023).

The Group is using the new rate of LBP 15,000 in its financial information reporting, with the first period being the quarterly reporting as of 31 March 2023.

The gap between the several exchange rates and the subjectivity and complexities surrounding exchange rates remained even after the change in the official published exchange rate and Management believes that the future unification of the exchange rate of the LBP to the US Dollar will further have a significant impact on its financial position and regulatory ratios from the translation of assets and liabilities in foreign currencies at a different rate. However, due to the significant related uncertainties, Management is unable to provide an estimate for this impact. Foreign currency mismatch is detailed in Note 25 to these interim condensed consolidated financial statements.

As at 30 September 2023, loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities held at amortised cost are recorded in these interim condensed consolidated financial statements at the loss rates mentioned in the Central Bank of Lebanon's Intermediate Circulars 567. Due to the high levels of uncertainty and to the lack of observable indicators and of visibility on the government's plans with respect to banks' exposure to the Central Bank of Lebanon and Lebanese sovereign, we are unable to estimate in a reasonable manner expected credit losses on these exposures. Accordingly, these interim condensed consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the interim condensed consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognised loss allowances, as well as their staging, are detailed in Note 24 to these interim condensed consolidated financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. The deterioration was further aggravated by the effects of the COVID-19 pandemic and the significant high inflation in Lebanon. Since the start of the Lebanese crisis, the Bank has been implementing a de-risking strategy by considerably reducing its assets size, specifically its portfolio of private loans concentrated in Lebanon. It has also set up a centralised and specialised remedial function to proactively review and manage the quality of its various portfolios. The private loans portfolio of Lebanese entities has significantly contracted since the onset of the Lebanese crisis as it decreased from USD 39 million at 31 December 2019 to USD 0.37 million. With all other variables held constant, Management believes that the significant devaluation of the Lebanese Pound (and de-facto local US Dollar) and the triple digit inflation, reduced the risks of default compared to 31 December 2019. However, given the high level of uncertainties facing the Lebanese economy and the expected type of instruments underlying future cash flows on settlement of these private loans, loss allowances have been estimated based on the best available information at the reporting date about past events, current conditions and forecasts of economic conditions combined with expert judgment. Maximum exposures to the credit risk of the Group's portfolio of private loans and the recognised loss allowances, as well as their staging, are detailed in Note 24 to these interim condensed consolidated financial statements.

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

Litigations and Claims

Until the above uncertainties are resolved, the Group is continuing its operations as performed since 17 October 2019 and in accordance with the laws and regulations. De-facto capital controls and inability to transfer foreign currencies to correspondent banks outside Lebanon are exposing the Group to litigations that are dealt with on a case by case basis when they occur. The Group has been subject to increased litigations as a result of these restrictive measures adopted by Lebanese banks in relation to withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these litigations and claims. There are still uncertainties related to the consequences of these restrictive measures based on the current available information and the prevailing laws and local banking practices. Management believes that a legislative solution is urgently needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances. Due to recent developments and the increasing trend in judgments ruled in favour of the plaintiffs and customers during 2021 and 2022, Management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency exposure (refer to Note 25). The amount cannot be determined presently.

Measures by the Bank

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

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

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

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

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

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

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

1. **Asset quality:** reduce the risk profile of the Group through the management of the Group's portfolio of assets by (1) sustaining the loan deleveraging policy, (2) maintaining higher loss allowances

coverage, (3) closely monitoring the lending portfolios while taking early remedial actions on problematic files, and (4) smoothly reducing sovereign debt exposure, especially in foreign currency.

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

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

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

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

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

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

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

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

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

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

- Significantly reducing its net positions in foreign currencies from a short position to a long position in view of managing risks from fluctuation of exchange rates and the significant devaluation of the LBP, on its income statement and equity. The reduction of the net open position was achieved through purchases of local foreign currencies from customers during 2022 and 2021 resulting in booked losses in other comprehensive income of LBP 1,633,876 million as at 30 September 2022 (Note 5). Net foreign exchange positions that would have an effect on the Group's income statement and equity are disclosed in Note 25 to these interim condensed consolidated financial statements.

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

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

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

2.0. ACCOUNTING POLICIES

2.1. Basis of Preparation

The interim condensed consolidated financial statements of Bank Audi sal for the nine-month period ended 30 September 2023 are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022. In addition, results for the nine months ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

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

As of 30 September 2023 and 31 December 2022, all conditions have been met for the Group's financial statements to incorporate the inflation adjustment provided under IAS 29 "Financial Reporting in Hyperinflationary Economies". IFRS requires that financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be restated into the current purchasing power at the end of the reporting period. Paragraph 4 of IAS 29 states that it is preferable for all entities that report in the currency of a hyperinflationary economy to apply the standard at the same date. In order to achieve uniformity as to the identification of an economic environment of this kind, IAS 29 provides certain guidelines: a cumulative three-year inflation rate exceeding 100% is a strong indicator of hyperinflation, but also qualitative factors, such as analysing the behaviour of population, prices, interest rates and wages should also be considered.

The Lebanese Central Administration of Statistics reported 3-year and 12-month cumulative rates of inflation of 1,650% and 143% as at 30 September 2023 (31 December 2022: 1,670% and 122%). Qualitative indicators, following the deteriorating economic condition and currency controls, also support the conclusion that Lebanon is a hyperinflationary economy for accounting purposes for periods ending on or after 31 December 2020. As of March 2022 and based on the inflation data published by Turkey Statistical Institute on 4 April 2022, the three-year cumulative increase in Consumer Price Index has been 109.4%. Accordingly, the Turkish economy was defined as hyperinflationary economy and consequently IAS 29 should be implemented on the financial statements of the Group's subsidiary in Turkey starting for periods ending on or after 30 June 2022.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Definition of Accounting Estimates – Amendments to IAS 8

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

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

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

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

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

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

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

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

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

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

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

2.3. Basis of Consolidation

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

	Percentage of Ownership				
	30 September 2023	31 December 2022	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
Audi Capital (KSA)	99.99	99.99	Saudi Arabia	Financial Services	SAR
Bank Audi LLC (Qatar)	100.00	100.00	Qatar	Banking Services	QAR
SocieteLibanaise de Factoring sal	100.00	100.00	Lebanon	Factoring	LBP
Odea Bank A.Ş.	76.42	76.42	Turkey	Banking (Commercial)	TRY
Audi Investments Holding sal	100.00	100.00	Lebanon	Investment	USD

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

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

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

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

2.4. Significant Accounting Judgments and Estimates

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

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

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

2.5. Correction Related to Prior Years

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

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

3.0. Segment Reporting

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

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

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

Business Segments

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

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

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

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

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

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

Net Operating Income Information

	30 September 2023 (Unaudited)				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	**Total LBP Million**
Net interest income	1,163,462	1,670,977	1,947,270	172,023	4,953,732
Non-interest income					
Net fee and commission income	1,120,401	710,361	48,737	25,230	1,904,729
Financial operations	138,344	181,640	2,358,091	(114,856)	2,563,219
Share of gain of associate under equity method	-	-	-	13,425	13,425
Other operating income	1,220	15,554	87	523,826	540,687
Total non-interest income	**1,259,965**	**907,555**	**2,406,915**	**447,625**	**5,022,060**
Total operating income	**2,423,427**	**2,578,532**	**4,354,185**	**619,648**	**9,975,792**
Net impairment loss on financial assets	(454,408)	185,437	(1,413,924)	-	(1,682,895)
Net operating income	**1,969,019**	**2,763,969**	**2,940,261**	**619,648**	**8,292,897**

	30 September 2022 (Unaudited)				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	Total LBP Million
Net interest income	222,545	377,197	765,622	13,049	1,378,413
Non-interest income					
Net fee and commission expense	114,101	108,339	(285,949)	8,887	(54,622)
Financial operations	5,712	20,630	65,771	(184,391)	(92,278)
Share of gain of associate under equity method	-	-	-	352	352
Other operating income	185	1,499	8	14,296	15,988
Total non-interest expense	119,998	130,468	(220,170)	(160,856)	(130,560)
Total operating income	342,543	507,665	545,452	(147,807)	1,247,853
Net recovery on financial assets	41,752	106,428	129,905	(14,359)	263,726
Net operating income	384,295	614,093	675,357	(162,166)	1,511,579

Financial Position Information

	30 September 2023 (Unaudited)				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	**Total LBP Million**
Investments in associates	-	-	-	153,509	153,509
Total assets	27,442,467	21,752,721	209,940,522	10,263,617	269,399,327
Total liabilities	28,956,676	199,673,775	13,695,367	9,308,363	251,634,181

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

Capital expenditures amounting to LBP 250,843 million at 30 September 2023 (31 December 2022: LBP 58,115 million) are allocated to the Group Functions and Head Office business segment.

Interest and similar income from exposure to the Central Bank of Lebanon and Lebanese sovereign amounted to LBP 2,802,533 million for the period ended 30 September 2023 (30 September 2022: LBP 1,436,662 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:

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

	Unaudited 30 September 2023 LBP Million	Unaudited 30 September 2022 LBP Million
Interest and similar income		
Central Bank of Lebanon	2,700,878	1,333,543
Lebanese sovereign	101,655	103,119
	2,802,533	1,436,662

Geographical Segments

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

Net Operating Income Information

	30 September 2023 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Net interest income	3,088,467	1,106,397	758,868	4,953,732
Non-interest income				
Net fee and commission income	940,158	601,853	362,718	1,904,729
Financial operations	2,083,020	319,362	160,837	2,563,219
Share of gain of associate under equity method	13,425	-	-	13,425
Other operating income	161,504	377,134	2,049	540,687
Total non-interest income	3,198,107	1,298,349	525,604	5,022,060
Total external operating income	**6,286,574**	**2,404,746**	**1,284,472**	**9,975,792**
Net impairment loss on financial assets	(1,516,791)	(49,197)	(116,907)	(1,682,895)
Net external operating income	**4,769,783**	**2,355,549**	**1,167,565**	**8,292,897**

	30 September 2022 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	1,167,900	179,377	31,136	1,378,413
Non-interest income				
Net fee and commission expense	(117,372)	20,153	42,597	(54,622)
Financial operations	(243,171)	210,242	(59,349)	(92,278)
Share of gain of associate under equity method	352	-	-	352
Other operating income	2,091	12,898	999	15,988
Total non-interest expense	(358,100)	243,293	(15,753)	(130,560)
Total external operating income	809,800	422,670	15,383	1,247,853
Net recovery on financial assets	217,364	(19,909)	66,271	263,726
Net external operating income	1,027,164	402,761	81,654	1,511,579

Financial Position Information

	30 September 2023 (Unaudited)			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	**Total LBP Million**
Capital expenditures	31,392	203,854	15,597	250,843
Investments in associates	153,509	-	-	153,509
Total assets	191,753,316	42,789,287	34,856,724	269,399,327
Total liabilities	181,299,083	40,647,071	29,688,026	251,634,180

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

4.0. Fee and Commission Expense

	Unaudited 30 September 2023 LBP Million	Unaudited 30 September 2022 LBP Million
Mark-up commission (*)	-	1,837
Commission for LBP banknotes(**)	-	291,492
Electronic Banking	27,104	11,193
Brokerage and custody fees	56,594	9,803
Commercial Banking expenses	56,564	3,292
Other fees and commissions	22,342	2,002
	162,604	319,619

(*) In order to build up offshore liquidity, the Group introduced the "multiplier factor" which entails inciting depositors of foreign currency international liquidity, cash deposited or incoming border transfers to convert these funds into local foreign currency deposits after the application of multiplier factors during 2021. Book losses from these transactions amounted to LBP 1,837 million during for the nine-month period ended 30 September 2022 and were recorded under commission expense.

(**) In order to service customers need in LBP-denominated banknotes during periods of shortage, during 2022, the Bank paid a premium for the supply of LBP-denominated banknotes amounting to LBP 291,492 million recorded under commission expense.

5.0. Net Trading Gain (loss)

	Unaudited 30 September 2023 LBP Million	Unaudited 30 September 2022 LBP Million
Gain on financial instruments at fair value through profit or loss	408,020	6,969
Foreign exchange	3,251,280	(74,569)
Derivatives	(1,192,983)	156,642
Loss resulting from exchange of foreign currencies (*)	-	(172,963)
Dividends	436	356
	2,466,753	(83,565)

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

Interest income from debt instruments at fair value through profit or loss amounted to LBP 14,778 million during the nine-month period ended 30 September 2023 (30 September 2022: LBP 4,801 million).

During the nine-month period ended 30 September 2022, and in order to manage its FX position, the Group engaged in the following transactions:

- On 11 November 2021, the Group obtained the approval of the Central Bank of Lebanon to discontinue selling the latter local foreign currencies purchased through the application of Basic Circular 151. During 2022, these transactions resulted in a loss of LBP 1,254,675 million recorded in the statement of comprehensive income (loss).

- During the period, the Group purchased from its customers local foreign currencies at rates below the rate specified in Basic Circular 151, which resulted in a loss of LBP 379,201 million recorded in the statement of comprehensive income (loss).
- During 2022, the Group bought from the Central Bank of Lebanon USD 26 million in Local Dollar at a rate of 8,000 which resulted in a loss of LBP 172,863 million.

6.0. Net Impairment Loss (Recovery) on Financial Assets

	Unaudited 30 September 2023 LBP Million	Unaudited 30 September 2022 LBP Million
Re-measurements:		
Cash and balances with central banks	-	186
Banks and financial institutions	-	(501)
Loans and advances to customers at amortised cost	732,781	(57,808)
Financial assets at amortised cost	1,412,656	(115,645)
Financial guarantees and other commitments	36,361	1,117
	2,181,798	(172,651)
Recoveries:		
Loans and advances to customers at amortised cost	(159,666)	(77,868)
Financial guarantees and other commitments	(66,305)	(1,885)
	(225,971)	(79,753)
Net direct recoveries	(272,932)	(11,322)
	1,682,895	(263,726)

7.0. Derivative Financial Instruments

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

Forwards and Futures

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

Options

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

Swaps

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

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

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

The Group has positions in the following type of derivatives:

30 September 2023 (Unaudited)	Positive Fair Value LBP Million	Negative Fair Value LBP Million	Notional Amount LBP Million
Derivatives held for trading			
Forward foreign exchange contracts	29,977	67,133	6,158,456
Forward precious metals contracts	2,022	-	28,058
Currency swaps	15,841	21,940	20,876,506
Precious metals swaps	8,960	198	392,358
Currency futures	-	-	819,545
Currency options	132,797	275,642	38,172,854
Interest rate swaps	220,898	104,376	2,559,834
Credit derivatives	-	-	164,237
Equity options	187,731	187,731	578,192
	598,226	657,020	69,750,040
Derivatives held as fair value hedge			
Interest rate swaps	29,103	-	246,145
	29,103	-	246,145
Total	**627,329**	**657,020**	**69,996,185**

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

Derivative Financial Instruments Held for Trading Purposes

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

Derivative Financial Instruments Held for Hedging Purposes

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

8.0. Financial Assets at Fair Value Through Profit or Loss

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Eurobonds	165,674	16,168
Other sovereign		
Treasury bills and bonds	463,384	967
Private sector and other securities		
Banks and financial institutions	1,188,368	199,805
Mutual funds	849,782	37,719
Equity instruments	22,978	2,086
	2,061,128	239,610
	2,690,186	256,745

9.0. Loans and Advances to Customers at Amortised Cost

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Corporate and SME	27,548,212	4,840,238
Retail and Personal Banking	12,214,854	1,870,506
Public sector	384,534	51,088
	40,147,600	6,761,832
Less: allowance for expected credit losses (Note 24)	(5,996,366)	(890,712)
	34,151,234	5,871,120

10. Financial Assets at Amortised Cost

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	18,855,284	3,478,796
Treasury bills	2,059,948	2,049,587
Eurobonds	2,893,333	260,431
	23,808,565	5,788,814
Other sovereign		
Treasury bills	7,499,213	707,734
Eurobonds	1,148,721	125,626
Other governmental securities	789,344	53,584
	9,437,278	886,944
Private sector and other securities		
Banks and financial institutions debt instruments	2,459,781	398,394
Corporate debt instruments	1,136,352	137,088
	3,596,133	535,482
	36,841,976	7,211,240
Less: allowance for expected credit losses (Note 24)	(2,978,619)	(155,784)
	33,863,357	7,055,456

During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. Accordingly, as at 30 September 2023, certificates of deposit amounting to LBP 2,638,000 million (31 December 2022: the same) and term borrowings from the Central Bank of Lebanon are reported on a net basis on the statement of financial position. At 30 September 2023, Lebanese Treasury bills of LBP 1,979,141 million were pledged against term borrowings from the Central Bank of Lebanon (31 December 2022: the same) (Note 13). In addition, the Group, in agreement with credit-linked depositors, settled deposits amounting to LBP 454,867 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollars having the same nominal amount as at 30 September 2023 (31 December 2022: LBP 452,617 million) (Notes 12 and 14).

11. Financial Assets at Fair Value Through Other Comprehensive Income

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Debt instruments		
Other sovereign		
Treasury bills and bonds	5,072,571	868,073
Private sector and other securities		
Banks and financial institutions debt instruments	117,729	31,513
Corporate debt instruments	52,555	-
	5,242,855	899,586
Equity instruments		
Quoted	1,820,729	87,331
Unquoted	256,437	44,924
	2,077,166	132,255
	7,320,021	1,031,841

12. Other Assets

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Advances on acquisition of property and equipment	21,327	17,369
Advances on acquisition of intangible assets	8,093	96
Prepaid charges	378,750	77,580
Electronic cards and regularisation accounts	61,393	3,845
Receivables related to non-banking operations	52,874	1,341
Advances to staff	24,524	8,212
Hospitalisation and medical care under collection	168	401
Interest and commissions receivable	10,030	265
Funds management fees	565	53
Fiscal stamps, bullions and commemorative coins	8,727	1,024
Management and advisory fees receivable	3,511	279
Tax regularisation account	60,813	10,518
Other debtor accounts	1,023,328	132,458
Foreign exchange position	729,925	409,017
	2,384,028	662,458

As at 30 September 2023, other debtors' accounts include an amount of LBP 123,100 million representing collateral under process of being repossessed against settlement of loans (31 December 2022: LBP 18,141 million).

Receivables from the Central Bank of Lebanon under Leverage Arrangements

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

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

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

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

Foreign Exchange Position

Foreign exchange position as at 30 September 2023 resulted mainly from the application of Basic Circular 159 and 151 and Intermediate Circular 556 (31 December 2022: Basic Circular 159 and 151 and Intermediate Circular 556).

Other Debtor Accounts

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

13. Due to Central Banks

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Central Bank of Lebanon		
Subsidised loans	577,662	472,674
Term borrowings under leverage arrangements	1,979,141	1,979,141
Accrued interest	16,477	9,342
Other central banks		
Other borrowings	1,422	141
Repurchase agreements	-	272,669
	2,574,702	2,733,967

Subsidised Loans

As at 30 September 2023, subsidised loans consist of utilised amounts on facilities granted by the Central Bank of Lebanon for the purpose of lending to customers at subsidised rates in accordance with Decision No. 6116 dated 7 March 1996. Principals are repayable on monthly basis and based on the amounts withdrawn by the customers (31 December 2022: the same).

Term Borrowings under Leverage Arrangements

Leverage arrangements with the Central Bank of Lebanon represent term borrowings denominated in LBP, bearing a 2% interest rate per annum and having maturities ranging between 2022 and 2031, fully invested in Lebanese Treasury bills, certificates of deposit with the Central Bank of Lebanon in LBP, and blocked term placements with the Central Bank of Lebanon in LBP earning coupon rates ranging between 6.5% per annum and 10.5%. Simultaneously, the Bank has either deposited term placements with the Central Bank of Lebanon in foreign currencies at 6.5% per annum and in LBP at 10.5% per annum (originated from the sale of foreign currencies to the Central Bank of Lebanon) carrying the same maturities; or purchased Lebanese government Eurobonds from the Central Bank of Lebanon. During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement covering only leverage arrangements that were invested in blocked term placement and pledged certificates of deposit with the Central Bank of Lebanon in LBP. This agreement qualifies for netting under the requirements of IAS 32.

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

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

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Leverage arrangements		
Gross amounts	9,965,516	10,060,141
Amounts offset against[1]		
Placements with the Central Bank of Lebanon	5,348,375	5,443,000
Certificates of deposit with the Central Bank of Lebanon (Note 10)	2,638,000	2,638,000
Net amounts reported on the statement of financial position	**1,979,141**	1,979,141
Financial collateral		
Lebanese Treasury bills (Note 10)	1,979,141	1,979,141
	1,979,141	1,979,141

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

Financial assets and financial liabilities that were settled on a net basis amounted to LBP 3,081,785 million as at 30 September 2023 (31 December 2022: same).

Repurchase Agreements

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

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Financial assets at amortised cost – Non-Lebanese government bonds	-	85,734
Financial assets at fair value through comprehensive income – Non-Lebanese government bonds	-	231,450

14. Customers' Deposits

	Unaudited 30 September 2023			
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Public Sector LBP Million	**Total LBP Million**
Sight deposits	17,304,874	105,193,692	415,946	122,914,512
Time deposits	8,363,704	75,570,001	1,354,999	85,288,704
Saving accounts	1,177,683	14,179,332	-	15,357,015
Margins on LCs and LGs	566,399	68,921	-	635,320
Other margins	5,839	-	-	5,839
Other deposits	18,275	176,766	-	195,041
Bankers' drafts	-	1,893,316	-	1,893,316
	27,436,774	**197,082,028**	**1,770,945**	**226,289,747**
Deposits pledged as collateral				10,294,511

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

Sight deposits include balances of bullion amounting to LBP 1,357,859 million (31 December 2022: LBP 145,711 million) which were carried at fair value through profit or loss.

Time deposits include balances amounting to LBP 164,237 million as at 30 September 2023 (31 December 2021: LBP 16,506 million), whereby the principal is settled at maturity according to the full discretion of the Group either in cash or in Lebanese government Eurobonds. As at 30 September 2023, in agreement with such depositors, the Bank settled deposits amounting to LBP 454,867 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollars and having the same nominal amount (31 December 2022: LBP 452,617 million) (Notes 10 and 12).

Bankers' drafts as at 30 September 2023 and 31 December 2022 consist of checks paid to depositors that have not yet been withdrawn from the Central Bank of Lebanon or other Lebanese banks.

15. Debt Issued and Other Borrowed Funds

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
USD 116,560,000 due 19 April 2027 – 5.00%	1,618,142	160,257
USD 112,500,000 due 11 April 2024 – 6.55% + Libor 6m	1,687,500	169,594
USD 37,500,000 due 11 April 2024 – 6.55% + Libor 6m	562,500	56,531
USD 276,000,000 due 1 August 2027 – 7.625%	4,121,651	415,028
Accrued interests	199,553	22,033
	8,189,346	823,443

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

USD 346,730,000 Due 16 October 2023 – 6.75%

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

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

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

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

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

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

USD 116,560,000 Due 19 April 2027 – 5.00%	**Unaudited 30 September 2023 LBP Million**	Audited 31 December 2022 LBP Million
Nominal value	1,748,400	175,715
Upfront interest	(130,258)	(15,458)
	1,618,142	160,257

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

On 11 May 2022, the General Assembly resolved to approve: 1) granting of a .put option in favour of the holders of the 2022 Subordinated Notes issued on 19 April 2022 pursuant to the resolution of the Ordinary General Assembly meeting held on 12 February 2021, and (ii) all other terms of the 2022 Subordinated Notes, as per the Board of Directors' proposal and recommendations.

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

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

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

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

The Group determined that the matters disclosed in Note 1 will have an impact on the retained earnings and reserves leading to a need for recapitalisation, the amount of which has not been determined yet due to the high level of uncertainty resulting from these matters. This matter is under objection by the lender. However, the Group believes that it is in a strong position. As at 30 September 2023, deferred interest payable amounted to LBP 637,402 million and was recorded under "Other liabilities" (31 December 2022: LBP 51,582 million) (Note 16).

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

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

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

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

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

All changes in debt issued and other borrowed funds arise mainly from cash flows. Non-cash changes, such as foreign exchange gains and losses, were not significant during the period ended 30 September 2023 (31 December 2022: the same).

16. Other Liabilities

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Lease liabilities	211,575	25,697
Accrued expenses	425,025	68,732
Miscellaneous suppliers and other payables	114,080	20,261
Operational taxes	262,243	54,434
Employee accrued benefits	34,929	2,960
Electronic cards and regularisation accounts	126,198	37,517
Social security dues	41,321	9,372
Other credit balances	1,754,755	186,848
	2,970,126	405,821

17. Provisions for Risks and Charges

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Provisions for risks and charges	4,000,614	279,340
Provisions for ECL on financial guarantees and commitments	143,727	26,886
End-of-service benefits	744,644	224,672
	4,888,985	530,898

18. Other Components of Equity

	30 September 2023 (Unaudited)					
	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 2023	**6,971,629**	**48,095**	**(1,464,160)**	**(144,004)**	**(3,504)**	**5,408,056**
Other comprehensive income from continuing operations	219	1,365,219	9,116,047	(14,083)	(364)	10,467,038
Sale of FVTOCI	-	660	-	-	-	660
Balance at 30 September 2023	**6,971,848**	**1,413,974**	**7,651,887**	**(158,087)**	**(3,868)**	**15,875,754**

	30 September 2022 (Unaudited)					
	Real Estate Revaluation Reserve LBP Million	Cumulative Changes in Fair Value LBP Million	Foreign Currency Translation Reserve LBP Million	Actuarial Loss on Defined Benefit Obligation LBP Million	Cash Flow Hedge Reserve LBP Million	Total LBP Million
Balance at 1 January 2022	262,001	(5,584)	(1,359,027)	(76,633)	(2,044)	(1,181,287)
Other comprehensive loss from continuing operations	-	42,860	(136,076)	-	(2,191)	(95,407)
Transfer between reserves	(106)	-	-	-	-	(106)
Balance at 30 September 2022	261,895	37,276	(1,495,103)	(76,633)	(4,235)	(1,276,800)

19. Cash and Cash Equivalents

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million	Unaudited 30 September 2022 LBP Million
Cash and balances with central banks	68,521,719	5,998,811	7,316,846
Due from banks and financial institutions	18,997,386	2,661,777	2,281,154
Loans to banks and financial institutions and reverse repurchase agreements	1,679,571	24,265	24,464
Due to central banks	(1,404)	(272,810)	(186,459)
Due to banks and financial institutions	(2,327,363)	(366,911)	(389,176)
Due to banks under repurchase agreement	(244,504)	(49,799)	(103,447)
	86,625,405	7,995,333	8,943,382

Cash and balances with central banks include amounts of LBP 23,217,426 million at 30 September 2023 (31 December 2022: LBP 3,421,449 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 2023 and 31 December 2022:

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Cash and balances with central banks	51,224,710	3,589,840
Due from banks and financial institutions	237,225	22,807
	51,464,935	3,612,647

20. Fair Value of Financial Instruments

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

Quoted Market Prices – Level 1

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

Valuation Technique Using Observable Inputs – Level 2

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

Valuation Technique Using Significant Unobservable Inputs – Level 3

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

Effects of Exchange Rates on the Fair Value Measurements

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

Fair Value of Financial Instruments Held at Fair Value

	30 September 2023 (Unaudited)			
	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	2,341	27,636	-	29,977
Forward precious metals contracts	2,022	-	-	2,022
Currency swaps	15,841	-	-	15,841
Precious metals swaps	8,960	-	-	8,960
Currency options	77,788	55,009	-	132,797
Interest rate swaps	-	220,898		220,898
Equity options	187,731	-	-	187,731
Derivatives held for cash flow hedge				
Interest rate swaps	-	29,103	-	29,103
	294,683	332,646	-	627,329
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of lebanon				
Eurobonds	165,674	-	-	165,674
Other sovereign:				
Treasury bills and bonds	463,384	-	-	463,384
Private sector and other securities				
Banks and financial institutions	1,188,368	-	-	1,188,368
Mutual funds	-	505,988	343,794	849,782
Equity instruments	632	22,346	-	22,978
	1,818,058	528,334	343,794	2,690,186
Financial assets at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills and bonds	5,072,571	-	-	5,072,571
Private sector and other securities				
Banks and financial institutions	117,729	-	-	117,729
Corporate debt instrument	52,555	-	-	52,555
Equity instruments				
Quoted	1,820,729	-	-	1,820,729
Unquoted	-	2,013	254,424	256,437
	7,063,584	2,013	254,424	7,320,021
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	2,589	64,544	-	67,133
Currency swaps	21,940	-	-	21,940
Precious metals swaps	198	-	-	198
Currency options	77,788	197,854	-	275,642
Interest rate swaps	-	104,376	-	104,376
Equity options	187,731	-	-	187,731
	290,246	366,774	-	657,020
Customers' deposits – sight	1,357,859	-	-	1,357,859
	1,648,105	366,774	-	2,014,879

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

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.

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 period is as follows:

	30 September 2023 (Unaudited)		31 December 2022 (Audited)	
	Financial Instruments at Fair Value through Profit or Loss	**Financial Instruments at Fair Value through Other Comprehensive Income**	Financial Instruments at Fair Value through Profit or Loss	Financial Instruments at Fair Value through Other Comprehensive Income
FINANCIAL ASSETS	**LBP Million**	**LBP Million**	LBP Million	LBP Million
Balance at 1 January	34,550	44,658	39,491	43,132
Re-measurement recognised in other comprehensive income	-	7,251	-	1,265
Re-measurement recognised in income statement	-	-	(264)	-
Purchases	-	-	-	769
Sales	-	-	(4,677)	-
Foreign exchange difference	309,244	202,515	-	(508)
Balance at 30 September/31 December	**343,794**	**254,424**	34,550	44,658

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 and related parties deposits and debt issued and other borrowed funds. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in Note 1 and the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, Management is unable to produce faithful estimation of the fair value of these financial assets and liabilities.

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

21. Contingent Liabilities, Commitments and Leasing Arrangements

Credit-related Commitments and Contingent Liabilities

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

	30 September 2023 (Unaudited)		
	Banks LBP Million	Customers LBP Million	**Total LBP Million**
Guarantees and contingent liabilities			
Financial guarantees	29,236	2,030,444	2,059,680
Other guarantees	724,528	5,822,949	6,547,477
	753,764	7,853,393	8,607,157
Commitments			
Documentary credits	-	1,238,185	1,238,185
Loan commitments	-	17,790,017	17,790,017
Of which revocable	-	*13,438,381*	*13,438,381*
Of which irrevocable	-	*4,351,636*	*4,351,636*
	-	19,028,202	19,028,202

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

Guarantees (Including Standby Letters of Credit)

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

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

Documentary Credits

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

Loan Commitments

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

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

Investment Commitments

The Group invested in funds pursuant to the provisions of Decision No. 6116 dated 7 March 1996 of the Central Bank of Lebanon. In accordance with this resolution, the Group can benefit from facilities granted by the Central Bank of Lebanon to be invested in startup companies, incubators and accelerators whose objects are restricted to supporting the development, success and growth of startup companies in Lebanon or companies whose objects are restricted to investing venture capital in startup companies in Lebanon. These investments have resulted in future commitments on the Group of LBP 9,865 million as of 30 September 2023 (31 December 2022: same).

Legal Claims

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

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

Capital Expenditure Commitments

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Capital expenditure commitments	4,143	422

Commitments Resulting from Credit Facilities Received

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

Other Commitments and Contingencies

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

22. Assets Under Management

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

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Assets under management	109,324,424	9,729,265
Fiduciary assets	17,895,239	1,687,547
	127,219,663	11,416,812

23. Related-Party Transactions

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

Subsidiaries

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

Associates and Other Entities

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

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

	Unaudited 30 September 2023 LBP Million	Audited 31 December 2022 LBP Million
Loans and advances	578,682	64,475
Of which: granted to Key Management Personnel	*38,137*	*7,451*
Of which: cash collateral received against loans	*531,066*	*55,241*
Indirect facilities	15,132	1,734
Deposits	1,054,596	116,350
Interest income on loans	806	682
Interest expense on deposits	626	505

Key Management Personnel

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

	Unaudited 30 September 2023 LBP Million	Unaudited 30 September 2022 LBP Million
Short-term benefits	12,393	10,249
Post-employment benefits – income statement	456	207

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

Provision for end-of-service benefits of Key Management Personnel amounted to LBP 4,491 million as of 30 September 2023 (31 December 2022: LBP 4,035 million).

24. Credit Risk

Expected Credit Losses

Financial Assets and ECLs by Stage

The tables below present an analysis of financial assets at amortised cost by gross exposure and impairment allowance by stage allocation as at 30 September 2023 and 31 December 2022. The Group does not hold any purchased or originated credit-impaired assets as at period-end.

	Gross Exposure				Impairment Allowance				
30 September 2023 (Unaudited)	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	**Total LBP Million**	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	**Total LBP Million**	**Net Exposure LBP Million**
Central banks	12,314,774	134,879,041	-	147,193,815	5,242	2,562,557	-	2,567,799	144,626,016
Due from banks and financial institutions	26,996,755	256,597	5,514	27,258,866	943	-	2,136	3,079	27,255,787
Loans to banks and financial institutions and reverse repurchase agreements	1,939,228	-	-	1,939,228	-	-	-	-	1,939,228
Loans and advances to customers at amortised cost	28,496,676	5,582,672	6,068,252	40,147,600	596,055	889,227	4,511,084	5,996,366	34,151,234
Corporate and SME	*17,984,080*	*5,535,170*	*4,028,962*	*27,548,212*	*465,806*	*872,835*	*2,937,294*	*4,275,935*	*23,272,277*
Retail and Personal Banking	*10,442,447*	*45,696*	*1,726,711*	*12,214,854*	*130,250*	*16,388*	*1,293,299*	*1,439,937*	*10,774,917*
Public sector	*70,149*	*1,806*	*312,579*	*384,534*	*1*	*4*	*280,491*	*280,494*	*104,040*
Loans and advances to related parties at amortised cost	578,682	-	-	578,682	-	-	-	-	578,682
Financial assets at amortised cost	13,033,411	18,855,284	4,953,281	36,841,976	53,999	355,974	2,568,646	2,978,619	33,863,357
Financial guarantees and other commitments	13,906,364	323,337	85,694	14,315,395	46,513	70,846	26,368	143,727	14,171,668
Total	97,265,890	159,896,931	11,112,741	268,275,562	702,752	3,878,604	7,108,234	11,689,590	256,585,972

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

Analysis of Risk Concentrations

Geographic Location Analysis

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by geographic location. The distribution of financial assets by geographic region as of 30 September 2023 and 31 December 2022 is as follows:

	30 September 2023 (Unaudited)									
	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	132,316,484	7,413,795	-	4,895,737	-	-	-	-	-	144,626,016
Due from banks and financial institutions	347,844	1,093,914	2,261,836	19,994,180	3,553,154	4,839	20	-	-	27,255,787
Loans to banks and financial institutions and reverse repurchase agreements	-	1,939,228	-	-	-	-	-	-	-	1,939,228
Derivative financial instruments	-	81,454	2,093	542,124	234	711	713	-	-	627,329
Financial assets at fair value through profit or loss	165,674	13,333	-	1,188,369	448,875	-	1,175	-	-	1,817,426
Loans and advances to customers at amortised cost	5,554,998	16,992,093	4,871,280	3,105,839	103,345	398,866	2,814,536	286,158	24,119	34,151,234
Loans and advances to related parties at amortised cost	36,026	-	532,076	10,556	24	-	-	-	-	578,682
Debtors by acceptances	62,864	-	664	8,008	-	-	46,881	-	-	118,417
Financial assets at amortised cost	20,886,705	4,186,855	1,005,310	1,518,592	4,965,907	1,089,607	12,039	-	198,342	33,863,357
Financial assets at fair value through other comprehensive income	-	4,956,289	127,226	-	117,720	41,620	-	-	-	5,242,855
Other assets	1,521,178	260,231	-	133,636	-	-	-	-	-	1,915,045
	160,891,773	**36,937,192**	**8,800,485**	**31,397,041**	**9,189,259**	**1,535,643**	**2,875,364**	**286,158**	**222,461**	**252,135,376**

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

25. Market Risk

Currency Risk

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

As disclosed in Note 1.3, the Group's assets and liabilities in foreign currencies are valued at the official published exchange rate. Due to the high volatility and the significant variance in exchange rates between the multiple currency market, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the financial statements. Management is unable to determine what would be a reasonable possible movement in order to provide useful quantitative sensitivity analysis. The impact of the valuation of these assets and liabilities at a different rate will be recognised in the financial statements once the change in the official exchange rate and /or a legal exchange mechanism is implemented by the Lebanese government.

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

	30 September 2023 (Unaudited)					
	LBP LBP Million	USD LBP Million	EUR LBP Million	TRY LBP Million	Other LBP Million	**Total LBP Million**
Assets						
Cash and balances with central banks	2,837,619	127,710,771	12,993,181	3,768,769	774,702	148,085,042
Due from banks and financial institutions	109,655	22,632,836	1,305,112	951,163	2,257,021	27,255,787
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	1,939,228	-	1,939,228
Derivative financial instruments	-	180,902	118,832	144,959	182,636	627,329
Financial assets at fair value through profit or loss	2,310	1,018,307	-	481,201	1,188,368	2,690,186
Loans and advances to customers at amortised cost	1,090,234	11,939,984	9,883,504	9,313,574	1,923,938	34,151,234
Loans and advances to related parties at amortised cost	3,700	563,704	11,278	-	-	578,682
Debtors by acceptances	-	102,106	15,647	-	664	118,417
Financial assets at amortised cost	2,108,582	25,492,298	1,165,900	5,096,577	-	33,863,357
Financial assets at fair value through other comprehensive income	1,840,057	3,338,699	727,792	1,368,536	44,937	7,320,021
Investments in associates	-	153,509	-	-	-	153,509
Property and equipment and right-of-use assets	7,443,831	1,214	89,108	173,410	609,718	8,317,281
Intangible assets	31,940	-	8,614	222,798	16,095	279,447
Assets obtained in settlement of debt	2,685	95,782	-	452,065	-	550,532
Other assets	1,035,962	752,048	167,613	287,948	140,457	2,384,028
Deferred tax assets	2,572	-	29,645	570,066	60,648	662,931
Goodwill	-	422,316	-	-	-	422,316
Total assets	**16,509,147**	**194,404,476**	**26,516,226**	**24,770,294**	**7,199,184**	**269,399,327**
Liabilities and shareholders' equity						
Due to central banks	2,373,584	200,699	401	18	-	2,574,702
Due to banks and financial institutions	7,286	3,184,084	466,234	25,822	448,061	4,131,487
Due to banks under repurchase agreements	-	232,805	-	11,681	-	244,486
Derivative financial instruments	-	339,998	117,020	28,171	171,831	657,020
Customers' deposits	6,417,401	171,380,631	19,327,748	21,033,180	8,130,787	226,289,747
Deposits from related parties	7,954	391,936	106,983	932	546,791	1,054,596
Debt issued and other borrowed funds	-	8,189,346	-	-	-	8,189,346
Engagements by acceptances	-	102,106	15,647	-	664	118,417
Other liabilities	843,238	1,323,389	241,086	323,059	239,354	2,970,126
Deferred tax liabilities	318,234	-	-	-	20,301	338,535
Current tax liability	21,569	-	113,206	13,874	28,085	176,734
Provisions for risks and charges	3,455,699	943,801	27,879	306,538	155,068	4,888,985
Shareholders' equity	4,912,818	6,235,680	1,211,513	1,641,184	3,763,951	17,765,146
Total liabilities and shareholders' equity	**18,357,783**	**192,524,475**	**21,627,717**	**23,384,459**	**13,504,893**	**269,399,327**

	31 December 2022 (Audited)					
	LBP LBP Million	USD LBP Million	EUR LBP Million	TRY LBP Million	Other LBP Million	Total LBP Million
Assets						
Cash and balances with central banks	1,189,224	11,514,238	1,265,328	92,617	243,147	14,304,554
Due from banks and financial institutions	193	2,118,222	274,908	404,129	219,314	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	216,397	-	216,397
Derivative financial instruments	-	54,949	4,859	49,066	10,269	119,143
Financial assets at fair value through profit or loss	-	56,439	375	126	199,805	256,745
Loans and advances to customers at amortised cost	1,741,498	1,481,306	1,273,983	1,159,111	215,222	5,871,120
Loans and advances to related parties at amortised cost	4,810	58,735	930	-	-	64,475
Debtors by acceptances	-	5,713	966	-	376	7,055
Financial assets at amortised cost	2,075,903	4,363,497	127,637	488,419	-	7,055,456
Financial assets at fair value through other comprehensive income	21,713	426,142	82,868	495,335	5,783	1,031,841
Investments in associates	-	14,359	-	-	-	14,359
Property and equipment and right-of-use assets	7,550,404	617	9,960	24,356	61,431	7,646,768
Intangible assets	39,017	-	738	19,602	1,420	60,777
Assets obtained in settlement of debt	2,685	95,782	-	64,933	-	163,400
Other assets	519,123	70,419	8,079	47,892	16,945	662,458
Deferred tax assets	3,217	-	12	47,852	6,114	57,195
Goodwill	-	42,442	-	-	-	42,442
Total Assets	13,147,787	20,302,860	3,050,643	3,109,835	979,826	40,590,951
Liabilities and shareholders' equity						
Due to central banks	2,432,013	29,245	40	272,669	-	2,733,967
Due to banks and financial institutions	179,155	319,332	76,856	-	8,142	583,485
Due to banks under repurchase agreements	-	-	-	49,799	-	49,799
Derivative financial instruments	-	16,728	5,346	19,502	12,984	54,560
Customers' deposits	5,430,165	18,250,570	2,173,998	2,515,948	730,257	29,100,938
Deposits from related parties	4,805	98,178	7,513	137	5,717	116,350
Debt issued and other borrowed funds	-	823,443	-	-	-	823,443
Engagements by acceptances	-	5,713	966	-	376	7,055
Other liabilities	187,744	121,608	17,547	56,914	22,008	405,821
Deferred tax liabilities	98,292	-	-	-	2,005	100,297
Current tax liability	8,834	-	2,500	17,396	266	28,996
Provisions for risks and charges	383,941	40,071	3,009	79,260	24,617	530,898
Shareholders' equity	3,743,997	3,259,269	47,229	(1,272,214)	277,061	6,055,342
Total liabilities and shareholders' equity	12,468,946	22,964,157	2,335,004	1,739,411	1,083,433	40,590,951

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

	30 September 2023 (Unaudited)			
	USD LBP Million	EUR LBP Million	Other LBP Million	**Total** **LBP Million**
Assets				
Cash and balances with central banks	124,371,286	6,326,358	93,326	130,790,970
Due from banks and financial institutions	238,189	35	-	238,224
Financial assets at fair value through profit or loss	282,237	-	-	282,237
Loans and advances to customers at amortised cost	2,484,586	247,264	2,963	2,734,813
Loans and advances to related parties at amortised cost	31,297	-	-	31,297
Financial assets at amortised cost	18,774,512	-	-	18,774,512
Financial assets at fair value through other comprehensive income	23,436	-	-	23,436
Investment in associates	153,509	-	-	153,509
Property and equipment and right-of-use assets	1,214	-	514	1,728
Assets obtained in settlement of debt	95,782	-	-	95,782
Other assets	739,801	6,895	141	746,837
Total assets	**147,195,849**	**6,580,552**	**96,944**	153,873,345
Liabilities and shareholders' equity				
Due to central banks	199,696	-	-	199,696
Due to banks and financial institutions	250,022	151	8	250,181
Customers' deposits	144,155,195	6,484,236	926,412	151,565,843
Deposits from related parties	279,312	24,375	2,769	306,456
Other liabilities	608,741	5,872	1,115	615,728
Provisions for risks and charges	760,232	-	-	760,232
Total liabilities	**146,253,198**	**6,514,634**	**930,304**	153,698,136

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

26. Litigation Risk

Since 17 October 2019, the Group has been subject to an increased litigations in Lebanon and abroad, as a result of the restrictive measures adopted by Lebanese banks in relation to the withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these existing litigations and claims against the Group in relation to these restrictive measures. There are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices. Due to recent development and the increasing trend in judgments ruled in favor of the plaintiffs and customers during 2021 and 2022 in Lebanon and abroad, management considers that they may affect negatively the offshore liquidity of the Group, its foreign assets and its foreign currency mismatch (refer to Note 54 – Currency Risk). The amount cannot be determined presently. At the balance sheet date, shares owned by the Bank in certain local and foreign subsidiaries were placed under seizure, by court orders in relation to litigations raised by customers for the transfer of funds abroad. Also, amounts held by the Bank at foreign correspondent banks especially in France are being subject to conservatory seizures.

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

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

27. Political Risk

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

03
ADDRESSES

1.0. Lebanon

Bank Audi sal

Member of the Association of Banks in Lebanon
Capital: LBP 992,878,257,050 *(as at September 2023)*
Consolidated shareholders' equity:
LBP 17,765,146,363,176 *(as at September 2023)*
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 *(as at 31.10. 2023)*

CORPORATE BRANCHES

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

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

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

BEIRUT

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

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

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

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

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

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

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

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

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

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

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

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

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

MOUNT LEBANON

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

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

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

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

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

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

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

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

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

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

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

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

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

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

JBEIL
Byblos Sun Bldg., Jbeil Roundabout.
Tel: (961-9) 543890. Fax: (961-9) 543895.
Senior Branch Manager: Mr. Georges A. Khodr

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

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

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

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

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

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

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

ZOUK
Val de Zouk Center, Zouk Mikhael.
Tel: (961-9) 211140. Fax: (961-9) 223603, 225505.
Senior Branch Manager: Mr. Chady F. Kassis

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.
SOS Branch Manager: Mrs. Shirine M. Merhebi

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

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

SOUTH

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

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

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

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

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

SAIDA – SOUTH
Moustapha Saad Street.
Tel: (961-7) 728601. Fax: (961-7) 752704.
Acting Branch Manager: Mrs. Hiba M. Ghaddar

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

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

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

BEKAA

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

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

DIGITAL BRANCHES

BANK AUDI PLAZA
Bab Idriss.

ZGHARTA
North Palace Hotel, Kfarhata.

ABC VERDUN MALL
Verdun.

SOLIFAC sal

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

2.0. Turkey

ODEA BANK A.Ş.

Headquarters

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

Branches

ISTANBUL

MASLAK
No. 255 (Nurol Plaza), Door No. Z 10, Buyukdere Street,
Maslak District, Sariyer, Istanbul.
Tel: (90-212) 3048100. Fax: (90-212) 3481835.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KARTAL
No. 2, Sehzade Street, Kordonboyu District,
Kartal, Istanbul.
Tel: (90-216) 5865300. Fax: (90-212) 3481895.
Branch Manager: Mr . Mehmet P. Sakalli (Retail)

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

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

UMRANIYE
No. 50/52 A, Alemdag Avenue, Ataturk District,
Umraniye, Istanbul.
Tel: (90-216) 6491200. Fax: (90-212) 3481901.
Branch Manager: Mr. Memet Emin N. Kaya (Retail)

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

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

BAKIRKOY
No. 45/A, Istanbul Street, Cevizlik District,
Bakirkoy, Istanbul.
Tel: (90-212) 4093100. Fax: (90-212) 3481917.
Branch Manager: Mr. Ersin R. Evcimen (Retail)

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

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

ANKARA

ANKARA
Tepe Prime Shopping Mall, Block B, No. 266, Eskisehir
Devlet Street, 9 Km, Dumlupinar District, Cankaya, Ankara.
Tel: (90-312) 2489800. Fax: (90-312) 2489801.
Branch Managers: Mr. Mehmet Can A. Aykol (Retail);
Mr. Ahmet O. Yetkiner (Commercial)

GOP
No. 16, Ugur Mumcu Street, Kazim Ozalp District,
Cankaya, Ankara.
Tel: (90-312) 4553800. Fax: (90-212) 3481858.
Branch Managers: Ms. Deniz F. Omay (Retail);
Ms. Filiz A. Yukselen (Commercial)

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

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

IZMIR

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

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

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

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

BOSTANLI
No. 532/A-B, Cemal Gursel Street, Bostanli District,
Karsiyaka, Izmir.
Tel: (90-232) 4911000. Fax: (90-212) 3481892.

KOCAELI

GEBZE
No. 34, Ismetpasa Avenue, Hacihalil District,
Gebze, Kocaeli.
Tel: (90-262) 6742400. Fax: (90-212) 3481873.
Branch Managers: Ms. Nuran S. Yuksel (Retail);
Mr. Hakki Murat S. Onlem (Commercial)

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

BURSA

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

GAZIANTEP

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

ADANA

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

KAYSERI

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

DENIZLI

DENIZLI
No. 2, M. Korkut Street, Saltak Avenue, Merkez Denizli.
Tel: (90-258) 2952000. Fax: (90-212) 3481883.
Branch Managers: Ms. Aliye Ozlem M. Ozkok (Retail);
Ms. Ebru H. Cakir (Commercial)

KONYA

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

ANTALYA

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

MUGLA

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

ESKISEHIR

ESKISEHIR
No. 13/E, Ismet Inonu Avenue, Hosnudiye District,
Tepebasi, Eskisehir.
Tel: (90-222) 2131000. Fax: (90-212) 3481891.

MERSIN

MERSIN
No. 20/A, Kuvai Milliye Avenue, Camiserif District,
Akdeniz, Mersin.
Tel: (90-324) 2418300. Fax: (90-212) 3481882.
Branch Managers: Ms. Pinar E. Asal (Retail);
Mr. Azmi S.Vurucu (Commercial)

HATAY

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

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

SAMSUN

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

3.0. Cyprus

BAPB HOLDING LIMITED

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

4.0. Switzerland

BANQUE AUDI (SUISSE) SA

Cours des Bastions 18-1205 Geneva.
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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.
P.O. Box: 250744 Riyadh 11391 Kingdom of Saudi Arabia.
Tel: (966-11) 2199300. Fax: (966-11) 4627942.
contactus@audicapital.com
audicapital.com

6.0. Qatar

BANK AUDI LLC

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7.0. France

BANK AUDI FRANCE sa

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