Bank Audi

Annual report

23

Annual re/port

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STATEMENT OF THE CHAIRMAN AND GROUP CHIEF EXECUTIVE OFFICER

Dear stakeholders,

2023 was yet another year of significant challenges for the Group, in light on one hand of the global inflation and geopolitical risks affecting financial markets and on the other hand the particularly difficult operating conditions in our 2 main countries of presence, Lebanon and Turkey, exacerbated by the escalating war in Gaza and its ramifications across our region.

In Lebanon, a highly polarized political landscape, with restrictive executive powers and limited legislative actions is translating in almost no progress made by the Lebanese authorities in addressing the fundamental drivers of a viable restructuring and resolution plan. The absence of a plan to restructure the banking sector is aggravating the deep confidence crisis in the Lebanese banking system while severely hampering Lebanese banks activity. Traditional banking activity through the customary intermediation of loans and deposits is very limited: on the one hand, inflows of new deposits is hindered by the prevailing informal capital control measures undertaken by banks and remain restricted to a limited short-term franchise of external accounts in fresh USD funding working capital need of customers. On the other hand, the prevailing uncertainties continue to affect negatively the corporate sector's investment sentiment and appetite to contract loans, to be added to a constricted capacity of banks to extend new loans.

In addition, the significant negative spillover effects of the war in Gaza on the Lebanese economy and operating environment have been deterring for now any positive development. Point to fact, Lebanon registered a noticeable setback after the outset of the Gaza war following the decision of Total Energies's drillship, Transorient Barent to abandon drilling in Block 9 (Qana gaz field) which lies right on the Israeli-Lebanese maritime boundary on 31 January 2024, with a tacit understanding that a breakthrough at this level is correlated with the political regional conditions.

Notwithstanding this gloomy backdrop, 2023 witnessed a number of positive initiatives undertaken by the new leadership at the Central Bank of Lebanon aiming at a unification of the prevailing exchange rates thru phasing out the Sayrafa platform, establishing a transparent FX trading platform, ending the drawdown of FX reserves, curbing monetary financing, and enhancing financial transparency, all representing steps in the right direction, to be hopefully built on to arrive sooner than later to the implementation of the long awaiting reform and resolution plan.

In Turkey, operating conditions continue to be challenging as highlighted by a rampant inflation and a further deterioration in the value of the Turkish Lira during 2023. Within this context, the Turkish authorities adopted 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. This aimed to 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 prevailing operational volatility, imposing selective future lending practices on banks.

On this backdrop, we continued in 2023 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 in a post-restructuring era to ensure a swift recovery and prompt resumption of normal banking activities. Continued efforts are exerted to quickly adapt to the changing regulatory requirements in Lebanon while improving the Lebanese entities' quality of earnings, preserving their accumulated offshore liquidity in foreign currencies, facing the heightened non-financial risks in the absence of a Capital Control law and guarding their capital base.

The new markets realities in Lebanon have also driven us to reformulate our business model triggered by the sale of some of our foreign entities and the subsequent adoption at the level of Bank Audi Lebanon of a rigorous cost control direction aiming at rightsizing its branch network and human capital with respect to its current level of business activity.

This cost optimization policy complemented also the launch by Bank Audi Lebanon of a new neo bank scheme in February 2023, involving building an end-to-end digital bank with no branches on digital platforms, in line with global trends and international standards, to provide customers in Lebanon with more convenience, while enabling cost effectiveness and profitability for the Bank. Close to 50% of the Bank Audi Lebanon's customers are planned to be migrated to Neo which offers a compelling banking proposition at low cost, while traditional banking would focus primarily on the remaining high and medium net worth customers, as well as corporate and commercial clients, serviced through a reduced network. This should provide for mutual benefits for the customer and Bank alike, namely improve customer experience, capitalize on the payroll and mass market, scale the acquisition of new clients, reduce dependency for physical network, reducing fraud risk and promote financial inclusion.

In Turkey, the devaluation of the FX along with the normal growth of Odea Bank's activity is exerting pressure on its capital needs. Given our incapacity to support Odea Bank due to legal, regulatory and financial challenges that would hinder us from providing such capital, yet alone from obtaining the needed approval of the Central Bank of Lebanon on it before a resolution of the Lebanese banking sector crisis is implemented, we are now forced to explore various strategic opportunities. The latter include and are not restricted to merger or joint venture with a counterparty, or a full or partial sale of Bank Audi's stake to another counterparty, or a sale of some of the assets, properties or businesses of Odea Bank. Said direction falls within Bank Audi's announced strategy to divest all commercial/retail activities outside of Lebanon that consume capital.

In parallel with these changes, Bank Audi has endeavored to ensure strict compliance with regulatory requirements in all markets of presence while enhancing disclosures and transparency measures. The latter aimed at enhancing further the group governance framework while reinforcing the entities operating outside Lebanon, of which Banque Audi (Suisse) and Bank Audi France, from potential future crisis spillovers.

We also continue to implementing an agile operating model supported by flexible analytical models and business planning tools. InfoStructure, the IT provider subsidiary of the Bank started in 2023 the design and planning phase of an initiative involving moving certain bank applications to the cloud, in order to capitalize on the benefits that cloud computing can offer in terms of service excellence and availability, enhancing users' experience, alleviating technical management tasks, all while ensuring integrity and security of the bank's data assets. The implementation is expected to start during 2024. In parallel, it implemented cutting-edge technologies and solutions to enhance the bank's security posture, and more specifically in cybersecurity matters, especially with the all-time high risks of cyber-attacks nowadays.

At the Human Resources level, talent retention within the banking sector continues to be a significant challenge. Despite all hurdles, we have maintained continuity and stability within our organization, thanks to our robust succession planning efforts and the exceptional quality of our talent pool. Through rigorous talent identification, development, and mentorship programs, we have cultivated a pipeline of high-potential individuals ready to step into key roles when needed. Our ability to fill vacant positions internally underscores the effectiveness of our succession planning initiatives. We are dedicated to continually refining and enhancing our processes to ensure that we have the right talent in place to drive our organization forward.

In closing and on behalf of the Board of Directors, we would like to thank our customers, our employees and our shareholders for their permanent support. We look forward to a sustained and successful cooperation with all stakeholders among which our customers, our shareholders, our correspondents and other related third parties and the regulators of our countries of presence.

Samir N. Hanna
Chairman of the Board

Bank Audi at a Glance

USD 18.6 billion
Total assets

USD 1.0 billion
Total loans to customers

USD 13.0 billion
Total customers' deposits

USD 7.8billion
of assets under management underscoring the importance of the Private Banking business line

193
Years of banking experience

821,000
Customers served through **91** branches and **3,136** employees

USD 247 million
Net profits in 2023[1]

USD 1.7 billion
Total shareholders' equity

7
Different countries of presence

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

GRI Standards
Pioneering the reporting standards in the MENA region

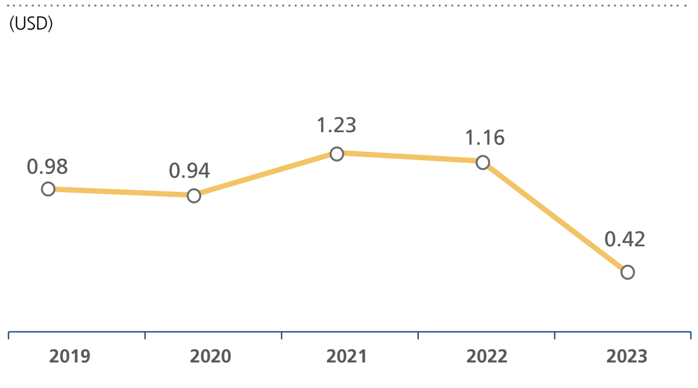
[1] Adjusted to the one-off flows from the outset of the financial crisis in Lebanon, excluding discontinued operations.

Main Financial Indicators 2023

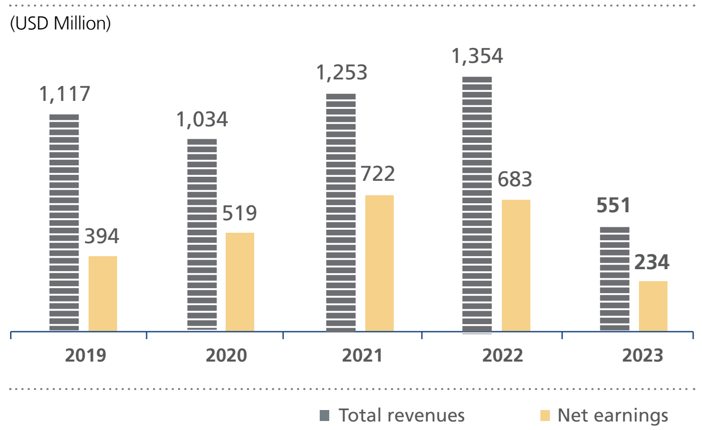
	2019	2020	2021	2022	2023	CAGR 19-23
Assets	39,535	35,431	26,857	26,926	18,566	-17.22%
Loans to customers	10,350	6,136	4,743	3,937	1,049	-43.57%
Customers' deposits	29,594	21,528	20,101	19,381	13,033	-18.54%
Shareholders' equity	2,970	2,951	2,492	4,017	1,739	-12.52%
Net earnings	-602	-145	-184	-435	0	
Normalized net earnings	489	609	775	732	306	-11.10%
Number of branches	213	125[4]	115	112	91	-19.15%
Number of staff	6,288	3,931	3,176	3,059	3,136	-15.96%
Placements and loan quality						
Placements with Central Bank and banks[1]/Deposits	89.44%	97.42%	100.12%	88.58%	101.76%	
Loans to deposits	34.97%	28.50%	23.59%	20.32%	8.05%	
Credit-impaired/Gross loans[2]	13.12%	15.31%	13.33%	14.78%	25.87%	
Loan loss provisions/Credit-impaired (including allowance for ECL Stages 1 & 2)	85.28%	94.46%	115.06%	88.27%	88.00%	
Loan loss provisions/Credit-impaired (including real guarantees and allowance for ECL Stages 1 & 2)	145.05%	158.41%	141.16%	103.59%	95.85%	
Net credit-impaired/Equity	19.98%	16.65%	9.98%	4.96%	4.13%	
Allowance for ECL Stages 1 & 2/Net loans	3.56%	7.02%	7.61%	3.07%	2.94%	
Capital adequacy						
Equity/Assets	7.51%	8.33%	9.28%	14.92%	9.37%	
Common equity Tier 1 ratio	6.61%	9.36%	10.04%	6.33%	8.46%	
Capital adequacy ratio	11.33%	13.12%	14.52%	9.81%	9.54%	
Profitability [3]						
Cost to income	45.72%	44.22%	40.71%	49.02%	52.13%	
ROAA	0.96%	1.40%	2.38%	2.64%	1.22%	
ROACE	12.25%	21.69%	32.94%	40.99%	15.86%	

[1] Including CDs.
[2] After adoption of IFRS 9.
[3] Based on normalized net profits
[4] Excluding entities held for sale.

Common Earnings Per Share[1]



Revenues & Net Earnings [1]



[1] Adjusted to the one offs flows from the outset of the financial crisis in Lebanon, excluding discontinued operations.

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Corporate Governance

1.0. CORPORATE GOVERNANCE FRAMEWORK

INTRODUCTION

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

In 2023, the Board continued to pay a particular attention to prudent and effective controls, in consideration of the heightened risks resulting from the fiscal and monetary crisis that persisted since the last quarter of 2019, in addition to its role of policy setting and of providing strategic guidance. Despite the impact of the said crisis on the Bank, and on all other banks and market players, and despite the additional pressing matters that showed up in 2023, the Bank continued its operations with integrity and in compliance with applicable laws and regulations.

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

GOVERNANCE FRAMEWORK

Bank Audi is governed by a Board of Directors consisting of up to 12 members (currently 6) elected by the General Assembly of shareholders for terms not exceeding 3 years. The responsibility of the Board is to ensure strategic direction, management supervision and adequate control of the company, with the ultimate goal of increasing the long-term value of the Bank.

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

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

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

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

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

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

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

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

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

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

2.0. SHAREHOLDING STRUCTURE

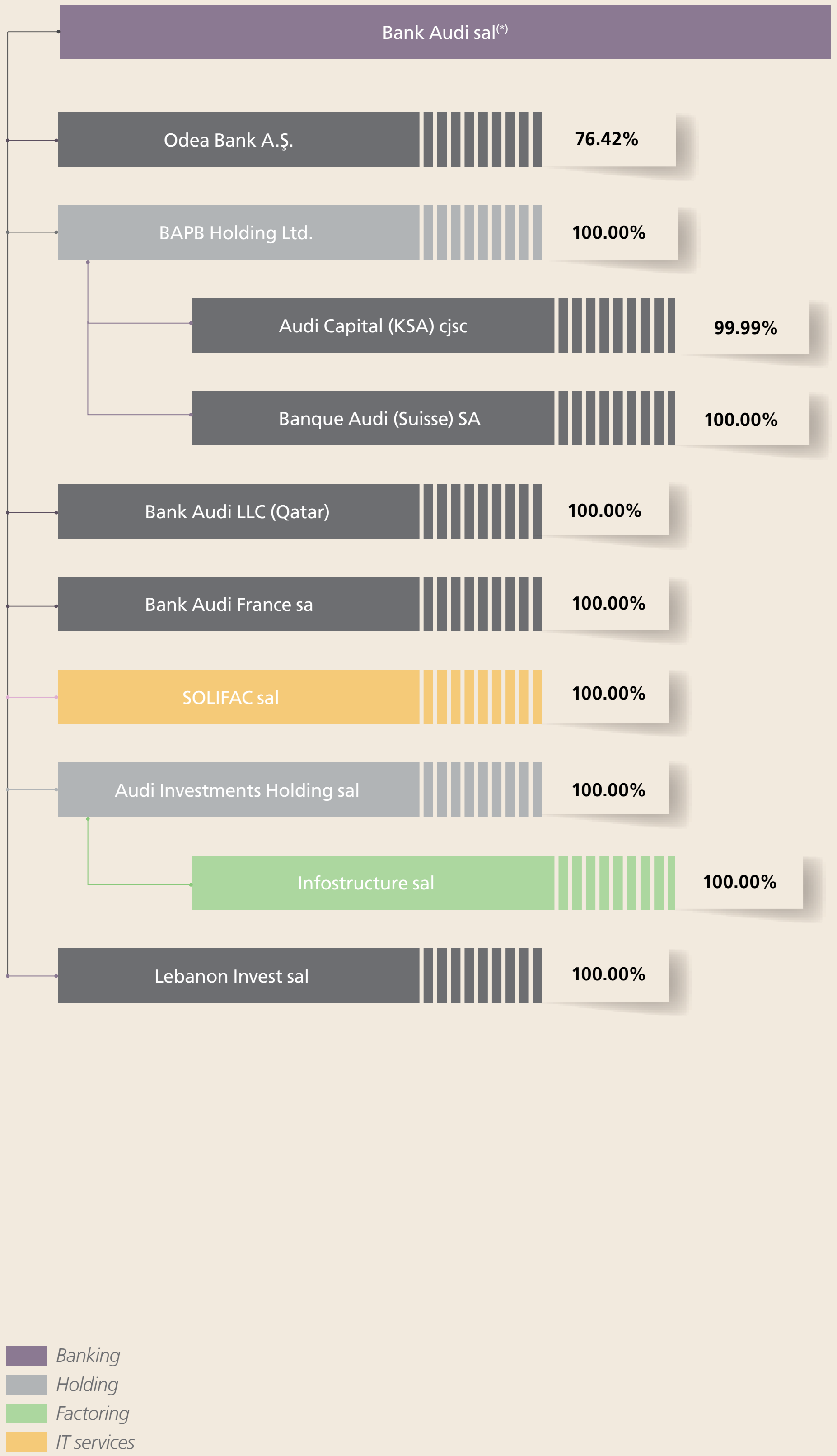
The following table sets out the composition of the holders of the Common Shares as at December 31, 2023:

Shareholders/Groups of Shareholders	Country (Ultimate Economic Ownership)	Percentage Ownership[1] (%)
FRH Investment Holding SAL	Lebanon	12.25
Sheikh Dheyab Bin Zayed Bin Sultan Al-Nahyan	United Arab Emirates	7.96
Al-Hobayb Family[2]	Kingdom of Saudi Arabia	5.87
Audi Family[2]	Lebanon	5.01
Family of Late Sheikha Suad Hamad Al Saleh Al Homaizi	Kuwait	4.42
Akig Investment Holdings Ltd	Iraq	4.26
Phoenicia Enterprises S.A	Lebanon	3.37
Al-Sabah Family[2]	Kuwait	3.21
European Bank for Reconstruction and Development - EBRD	—	2.90
Ali Ghassan El Merhebi Family	Lebanon	2.78
Kel Group	Lebanon	2.49
Mohammed Bin Dhoheyan Bin Abdul Aziz Al Dhoheyan	Kingdom of Saudi Arabia	2.37
Investment & Business Holding Group	Lebanon	2.30
Imad Ibrahim Itani	Lebanon	1.88
International Finance Corporation - IFC	—	1.70
Executives and Employees[3]	Lebanon	1.42
Others	—	14.26
Global Depositary Receipts ("GDRs") [4]	—	21.55
Total shareholding[5]	—	**100.00**

[1] Percentage ownership figures represent common shares owned by the named shareholders and are expressed as a percentage of the total number of common shares issued and outstanding.
[2] The Audi family, Al Sabah family, and Al Hobayb family include the following members of the Board: (i) Marc Jean Audi and Sherine Raymond Audi, (ii) Mariam Nasser Sabah Al Nasser Al Sabah, and (iii) Abdullah Al Hobayb, respectively.
[3] Excluding members of the Audi family accounted for in a separate row above.
[4] GDRs represent common shares held by "The Bank of New York Mellon" as a holder of record in its capacity as depositary under the Bank's GDR Program.
In addition to the ownership of common shares mentioned above, 8.35 % of the Bank's common shares are held through GDRs by each of ***FRH Investment Holding sal (including by its controlling shareholder), Sheikh Dheyab Bin Zayed Bin Sultan Al Nahyan, the Al Hobayb family, the Audi family, the family of late Sheikha Suad H. Al Homaizi, and Mohammed Bin Dhoheyan Bin Abdul Aziz Al Dhoheyan*** *(respectively 1.56%, 2.13%, 1.66%, 0.51%, 1.23%, and 1.27%). Information on GDR ownership is based on self-declarations (pursuant to applicable Lebanese regulations) as GDR ownership is otherwise anonymous to Bank Audi.*
[5] As at the date hereof, the total number of common shares was 588,538,215. The Bank (and its affiliates) is the custodian of shares and/or GDRs representing 83.31 % of the Bank's common shares.

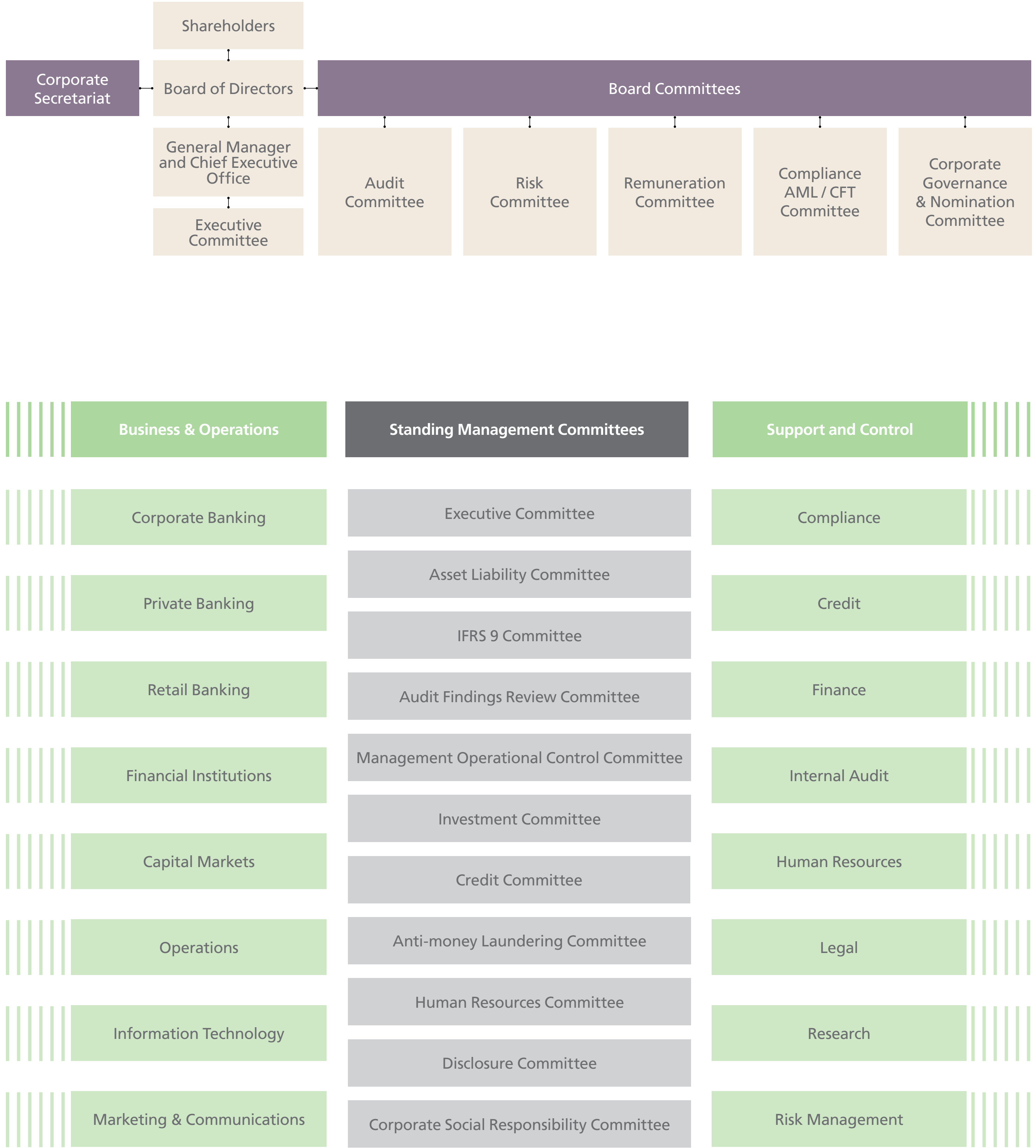
3.0. CORPORATE STRUCTURE

The major subsidiaries and branches abroad of Bank Audi sal as at 31/12/2023 are:



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

4.0. GROUP HIGH LEVEL CHART



5.0. BOARD OF DIRECTORS

COMPOSITION OF THE BOARD OF DIRECTORS

The current members of the Board of Directors were elected by a resolution of the Ordinary General Assembly of shareholders held on 28 July 2023 for a one-year term expiring on the date of the annual Ordinary General Assembly meeting that will examine the accounts and activity of the year 2023.

The Ordinary General Assembly expected to be held in June 2024 will consider the election of a new Board of Directors for a new mandate.

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

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

Secretary of the Board

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

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

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

FREQUENCY OF MEETINGS

In 2023, the Board of Directors held 6 meetings, the Group Audit Committee held 4 meetings, the Group Risk Committee held 4 meetings, the Remuneration Committee held 1 meeting, the Corporate Governance and Nomination Committee held 3 meetings, and the Compliance/AML/CFT Board Committee held 4 meetings.

CHANGES TO THE BOARD OF DIRECTORS DURING THE YEAR 2023 TO DATE

The Ordinary General Assembly of Shareholders of Bank Audi sal convened on 28 July 2023 and resolved to re-elect six currently serving Directors for a new one-year mandate, two having expressed their wish not to be considered for a new mandate.

The newly elected Board convened following the General Assembly of shareholders and resolved, amongst other things, to re-elect Mr. Samir N. Hanna as Chairman of the Board – General Manager.

In May 2024, acting on the recommendation of its Chairman, the Board of Directors resolved to separate the roles of Chairman and of General Manager - CEO, as now permitted by Lebanese laws, and by the Bank's bylaws. Pursuant to the above, Mr. Samir Hanna has since been serving as a Non-Executive Chair of the Board.

LEGAL ADVISORS

Cortbaoui & Kanaan

AUDITORS

BDO, Semaan, Gholam & Co.

Ernst & Young p.c.c.

Fees paid to statutory auditors

Total fees paid to Ernst & Young and BDO, Semaan, Gholam & Co statutory auditors for the services rendered to the Group for the years 2023 and 2022 are shown as below:

Audit and service fees paid to the Group auditors and their member firms (Lebanon and abroad)

USD '000	Dec-23	Dec-22
Audit services fees related to Group statutory auditors (Lebanon and abroad)	1,739	1,715
Audit services fees related to other audit firms	247	234
Total Audit Services Fees	1,986	1,949
Other services fees to Group statutory auditors (Lebanon and abroad)	265	203
Total Audit Services and other Fees	2,251	2,152

Other services cover tasks required by law and other services compatible with the statutory auditors' role.

6.0. BIOGRAPHIES OF BOARD MEMBERS

SAMIR N. HANNA

Chairman of the Board of Directors

General Manager and
Group Chief Executive Officer
until May 2024

Age: 79 – Lebanon
Director since August 1990
Term expires at the 2024 annual General Assembly of shareholders
- Executive Director until May 2024
- Chairman of the Corporate Governance and Nomination Committee

Samir Hanna is the current Chairman of the Board of Directors and former Chief Executive Officer of the Bank Audi Group. He joined Bank Audi in January 1963 and held several managerial and executive positions across various departments of the Bank. He was appointed General Manager of the Bank in 1986 and member of its Board of Directors in 1990. In the early 1990s, he initiated and managed the restructuring and expansion strategy of Bank Audi, transforming it into a strong banking group offering universal banking products and services including Corporate, Commercial, Retail, Investment, and Private Banking.He was elected Chairman of the Board of Bank Audi sal, succeeding Mr. Raymond Audi, on 10 April 2017.
Samir Hanna has served as member or Chair of the Boards of a number of subsidiaries of the Bank Audi Group including (i) member of the Board of Directors of Odea Bank A.Ş., Bank Audi's subsidiary in Turkey from 2012 until 2021 (Chairman until November 2020), (ii) member of the Board of Directors of Banque Audi (Suisse) SA from 2011 until 2021, and (iii) member of the Board of Directors of Bank Audi sae (Egypt) from 2006 until 2020.
In May 2024, acting on his recommendation, the Board of Directors resolved to separate the roles of Chairman and of General Manager - CEO, as now permitted by Lebanese laws, and by the Bank's bylaws. Pursuant to the above, Mr. Samir Hanna has relinquished all his managerial duties and has since been serving as a Non-Executive Chair of the Board.

MARWAN M. GHANDOUR

Board Member

Age: 80 – Lebanon
Director since March 2000
Term expires at the 2024 annual General Assembly of shareholders
- Independent Non-executive Director
- Chairman of the Group Audit Committee
- Chairman of the Remuneration Committee
- Member of the Corporate Governance and Nomination Committee

Marwan Ghandour is an independent member of the Board of Directors since March 2000.
Marwan Ghandour is a previous Vice-Governor of the Central Bank of Lebanon. He held this position between January 1990 and August 1993, with primary responsibilities in the area of monetary policy. During this period, he was also a member of the Higher Banking Commission and various other government committees involved in economic policy. In this capacity, he liaised with renowned international institutions such as the International Monetary Fund (IMF), the World Bank and the Bank for International Settlements (BIS). From 1995 until July 2011, Marwan Ghandour served as Chairman and General Manager of Lebanon Invest sal, a leading financial services group in the region whose holding company merged with Bank Audi in 2000.
Since 2000, Marwan Ghandour has served as member or Chair of the Boards of a number of subsidiaries of the Bank Audi Group including (i) member of the Board of Directors of Odea Bank A.Ş., Bank Audi's subsidiary in Turkey, from 2012 until 2020 (Vice-Chairman until 31 December 2017), (ii) member of the Board of Directors of Bank Audi sae (Egypt) from 2006 until 2018, (iii) Chairman of the Board of Directors of Banque Audi (Suisse) SA from 2011 until 2015, and (iv) Chairman of the Board of Directors of Audi Investment Bank sal from 2005 until 2011.
Marwan Ghandour holds a PhD in Economics (Econometrics) from the University of Illinois (post-doctorate research at Stanford University).

MARC J. AUDI

Board Member

Age: 66 – Lebanon
Director since March 1996
Term expires at the 2024 annual General Assembly of shareholders
- Independent Non-executive Director
- Member of the Board Group Risk Committee
- Member of the Corporate Governance and Nomination Committee
- Member of the Compliance/AML/CFT Board Committee

Marc Audi serves as member of the Board of Directors since 1996, has served as General Manager from 2004 until February 2022, and as Lebanon Country Manager of the Bank Audi Group until June 2020.
Marc Audi started his banking career in 1981. He held several executive positions within the Bank Audi Group, in a number of countries including France, the USA (California), Switzerland and Lebanon. Throughout his career, he held executive responsibilities at group level, in Commercial Lending, in Capital Markets and in Private Banking (notably serving as General Manager of Banque Audi (Suisse) SA, the Private Banking arm of the Group, until 2005).
Marc Audi currently serves as Chairman of the Board of Directors of Banque Audi (Suisse) SA and Board member of several other affiliates of the Bank Audi Group.
Marc Audi holds a Master's of Business Administration from the University of Paris IX – Dauphine.

ABDULLAH I. AL HOBAYB

Board Member

Age: 82 – Saudi Arabia
Director since April 2010
Term expires at the 2024 annual General Assembly of shareholders
- Non-executive Director
- Member of the Group Audit Committee
- Member of the Remuneration Committee

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

KHALIL M. BITAR

Board Member

Age: 82 – Lebanon
Director since April 2010
Term expires at the 2024 annual General Assembly of shareholders
- Independent Non-executive Director
- Chairman of the Board Group Risk Committee
- Member of the Remuneration Committee
- Member of the Group Audit Committee

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

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

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

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

SHERINE R. AUDI

Board Member

Age: 63 – Lebanon
Director since April 2017
Term expires at the 2024 annual General Assembly of shareholders
- Non-executive Director
- Member of the Board Group Risk Committee
- Member of the Compliance/AML/CFT Board Committee

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

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

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

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

7.0. REMUNERATION POLICY AND PRACTICES

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

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

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

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

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

As reported in the Bank's financial statements, salaries, bonuses, attendance fees and other short-term benefits awarded to key Management personnel (as defined in Note 50 accompanying the financial statements) during the year 2023, amounted to LBP 105,561 million, in addition to post-employment benefits – Income statements aggregating LBP 519 million and to post-employment benefits – Other comprehensive income aggregating LBP (6,719) million. Provision for end-of-service benefits of key Management personnel amounted to LBP 27,532 million as of 31 December 2023 (2022: LBP 4,035 million).

02

Management / Discussion and Analysis

AS OF 30 APRIL 2024

1.0. OVERVIEW OF BANK AUDI SAL

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

Bank Audi offers universal banking products and services covering Corporate, Commercial, Individual and Private Banking services to a diversified client base, mainly in the MENA region. In addition to its historic presence in Lebanon, Switzerland and France, the Bank has operations in Saudi Arabia, Qatar, Abu Dhabi (through a representative office) and Turkey. In 2023, the Bank resolved to sell its operation in Turkey in light of the significant capital needs it requires to maintain the momentum of its activity at its current trend.

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

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

The dicussion and analysis that follows covers the consolidated performance of Bank Audi in the year 2023, based on the audited consolidated financial statements of the Bank for the fiscal years ended 31 December 2023 and 31 December 2022. The Bank's consolidated financial statements have been prepared in accordance with standards issued or adopted by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee and the general accounting plan for banks in Lebanon and the regulations of the Central Bank, the Banking Control Commission of Lebanon (the "Banking Control Commission" or "BCC") and the Capital Market Authority of Lebanon or "CMA", and include the results of the Bank and its consolidated subsidiaries as listed in Note 45 to the 2023 Financial Statements. Ernst & Young p.c.c. and BDO, Semaan, Gholam & Co. have jointly audited the annual financial statements.

The Group's operations are mostly in Lebanon that has been witnessing, since 17 October 2019, severe events that have set off an interconnected fiscal, monetary and economic crisis, as well as deep recession, which have reached unprecedented levels. As a result, the ability of the Lebanese government and the banking sector in Lebanon to borrow funds from international markets was significantly affected. Banks have imposed unofficial capital controls, restricted transfers of foreign currencies outside Lebanon, and significantly reduced credit lines to companies and cash withdrawals to private depositors, all of which have added to the disruption of the country's economic activity.

The ensuing difficulty in accessing foreign currencies led to the emergence of a parallel market to the official exchange rate whereby the price to access foreign currencies has been increasing constantly, deviating significantly from the then official exchange rate of LBP 1,507.5/USD. This has resulted in an uncontrolled rise in prices and the incessant de facto depreciation of the Lebanese Pound, impacting intensely the purchasing power of Lebanese citizens, and driving a currency crisis, high inflation and a rise in the consumer price index. The official exchange rate devaluated as of February 2023 by 90% to LBP 15,000/USD, a level which continues to deviate significantly from the prevailing market rate (LBP 89,500/USDon average). Starting February 2024, the regulatory exchange rate used in the Banking operations increased to LBP 89,500/USD.

On 2 February 2024, the Central Bank issued the basic circular 167 defining the published rate on BdL's electronic platform as the FX translation rate for the Bank's FCY monetary items as well for the non-monetary assets measured at fair value and assets measured as per equity method in line with IAS 21. This measure applies starting January 2024 reported financials. As the published rate mirrors the prevailing market rate, the gap between financial figures translated at published rate and those expressed at market rates was resorbed.

In an effort to control inflation, the Central Bank of Lebanon introduced, since 2020, several measures including subsidizing imports which were subsequently lifted, measures allowing depositors to withdraw small cash amounts in LBP from their "local" foreign currency bank accounts at the BdL 151 rate and introducing the framework of exceptional measures for foreign-currency operations, based on a rate generated on the electronic platform "Sayrafa". A number of update of these measures have been introduced since then, however the impact of the crisis continues to prevail in waiting for the enactment of a reform and resolution program.

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

Notwithstanding, and as per regulatory requirements, the Bank maintains its accounts in Lebanese Pounds (LBP). Nonetheless, all figures presented in the following MD&A are expressed in US Dollars ("USD"), unless specifically otherwise stated, which are translated from Lebanese Pounds at the closing of the official exchange rate published by the Central Bank of Lebanon (1,507.5 as of 31 December 2022 and 15,000 as of 31 December 2023), in line with IAS 21 due to the lack of an alternative legal exchange mechanism. Consequently, the financial statements do not reflect the change of disclosures required by IAS 29 which applies for hyperinflationary economies since the existence of a wide range of FX rates prevailing on the market and the absence of forthcoming revamping of the official peg make it difficult to proceed with such adjustments, especially when it comes to the valuation of monetary assets and liabilities. For avoidance of doubt, such translations do not differentiate between onshore or offshore assets. References to foreign currency translation differences reflect the movement of functional currencies in the countries in which the Bank has a presence against the Lebanese Pound.

On 18 February 2021, the Bank submitted to the Central Bank of Lebanon a roadmap that broadly sets out its strategy for the years 2021-2024, detailing its action plan in the face of the Crisis while addressing the requirements of BdL Basic Circular 154 and Intermediate Circular number 567. Meanwhile, in waiting for the stabilization of the financial, monetary and operating conditions in Lebanon and the determination of the amounts of recapitilisation needs, the Bank has been actively exerting efforts to its financial position and reinforce its financial standing by (a) strengthening its capitalisation, (b) building up its offshore liquidity and reducing its commitments and contingencies to correspondent banks and financial institutions outside Lebanon, (c) managing operating profitability, and (d) enhancing the quality of its private loans portfolio, deleveraging it as appropriate and downsizing its balance sheet.

Unfortunately, due to a regional and domestic political deadlocks, the economic conditions in Lebanon remain highly challenging till date, excacerbated by the continued absence of: i) a government reform plan to address, among others, the systemic failure of the financial and banking sectors caused by this crisis, ii) an IMF Program that will allow to unlock other international funds, iii) a parliament-approved capital control and banking restructuring and financial rebalancing laws, and iv) filling the governance vaccum (extending to the President, government and other govermental bodies). 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.

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. The plan includes several measures that are prerequisites to unlock funds, that could help pull the country out of a four-year financial meltdown. As of date, the parliament approved the reformed bank secrecy law while remaining measures are still pending. Due to the aforementioned high levels of uncertainties, Management continues to be unable to estimate in a reasonable manner or within a reasonable timeframe the adverse impact of the aforementioned matters on the Bank's financial position and equity which it anticipates to be material.

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

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

This discussion and analysis starts with an overview of the Bank's strategy, followed by a review of the operating environment and a comparative analysis of the Group's financial conditions and results of operations for the periods ended 31 December 2023 and 31 December 2022. An overview of share information and dividend policy comes next, followed by risk management, resources deployed, compliance and corporate social responsibility.

2.0. STRATEGY

In 2023, the Bank's consolidated activity and results continue to be in line with those observed over the past 5 years, heavily marked by the persisting challenges in the operating conditions in the country of presence, particularly in Lebanon and Turkey, the Group's two principal markets.

In Lebanon, a highly polarized political landscape, with restrictive executive powers and limited legislative actions is translating in 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 serious discussion by policymakers. At the end of a two-week staff visit to Lebanon in September 2023, the IMF said that this shortfall 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. On the other hand, the IMF highlighted that 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, they believe there is now an opportunity for comprehensive reforms to strengthen BdL's governance, accounting, and FX operations in line with international best practices in parallel to a unification of the FX rates.

Notwithstanding, the aforementioned persisting operating uncertainties and challenges in Lebanon compounded by the woes of the Ukraine war on the global economy in addition to the significant negative spillover effects of the war in Gaza continue to have a generally adverse effect on the operating conditions in Lebanon, deterring for now any positive development. To add to the latter, Lebanon registered a severe setback a few days after the outset of the Gaza war following the decision of Total Energies' 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 before it decided to abandon it on 31 January 2024. 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. Despite the setback the consortium bid for additional lease acreage in adjacent blocks, demonstrating confidence in the potential of Lebanon's offshore resources, sustain a brief hope of Lebanon to become an East Med gas producer.

At the Banks' level, a plan to restructure the banking sector is still not in place which in turn exacerbates the deep confidence crisis in the Lebanese banking system while severely hampering Lebanese banks activity. Traditional Banking activity through the customary intermediation of loans and deposits is very limited: on the one hand, inflows of new deposits is hindered by the prevailing informal capital control measures undertaken by banks and remain restricted to a limited short-term franchise of external accounts in fresh USD funding working capital need of customers. On the other hand, the prevailing uncertainties continue to affect negatively the corporate sector's investment sentiment and appetite to contract loans, to be added to a constricted capacity of banks to extend new loans.

In light of the prevailing market uncertainties, any financial projection related to the Bank's future business model is extremely difficult to make, in particular when considering the following key points that carry significant uncertainties with potential material impact on the future financial position of the Bank:

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

- Loss allowances on assets held at the Central Bank of Lebanon and the portfolio of Lebanese government securities are recorded in the Bank's financial statements based on BdL guidelines issued on February 2020. These loss allowances, set at very low levels, especially for exposure on BdL in FCY, are widely considered to represent an insufficient reflection of the underlying risks of those assets. Should an adjustment become necessary, the impact is expected to be pervasive.

- 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.

In Turkey, operating conditions continue to be challenging as highlighted by a rampant inflation and a further deterioration in the value of the Turkish Lira. Within this context, the Turkish authorities adopted in 2023 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. Looking to ensure financial stability, 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. This aimed to 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 prevailing operational volatility, which could potentially reveal embedded losses, imposing selective future lending practices on banks. On this backdrop, the prime focus continues to be on reinforcing its financial standing through adequate liquidity and asset quality while protecting our capital and improving efficiency. Significant importance is also placed on governance and compliance matters in support of a solid operational structure.

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 in a post-restructuring era to ensure a swift recovery and prompt resumption of normal banking activities. Continued efforts are exerted to quickly adapt to the changing regulatory requirements in Lebanon while improving the Lebanese entities' quality of earnings, preserving their accumulated offshore liquidity in foreign currencies, facing the heightened non-financial risks in the absence of a Capital Control law and guarding their capital base. In Turkey, the devaluation of the FX along with the normal growth of the subsidiary's activity is exerting pressure on its capital needs, which is forcing the Mother Company, in light of its incapacity to support Odea Bank given the situation in Lebanon, to resolve to explore divesture opportunities.

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

Within that scope, 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. 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..,
- Improving the generation of sustainable revenues in fresh US dollars by leveraging on the unprecedented high level of international interest rates and boosting its non-interest income generation capacity,
- Sustaining the cost optimization policy in Lebanon to achieve an optimum efficiency level,
- Divesting from operations and activity with heightened capital needs requirements,
- Leveraging on the European banking franchise to reconnect with the Lebanese customers' base and channel back their deposits to Bank Audi France and Banque Audi (Suisse),
- Implementing an 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.

3.0. OPERATING ENVIRONMENT

The year 2023, which was negatively impacted by the war in Gaza in its last quarter, is a year of no growth, though the economy seems to have somewhat bottomed out. The touristic sector, which has been a driver of growth in the first nine months, got a hit since October amid the adverse spillover effects of the emerging war on the incoming of Tourists and Lebanese expatriates to the home country. The latter is estimated to have contracted by 18% in the last quarter of 2023 relative to the same period last year.

Real sector indicators were mixed during 2023, mirroring the performance of the real economy. Among real sector indicators that reported a net increase in 2023, we mention number of tourist inflow with 17.1% in the first eleven months, the number of passengers at BIA with 12.1% in full-year 2023, cement deliveries with 10.7% in the first six months and tons of goods at POB with 6.5% in the first ten months of 2023. Among real sector indicators that reported a net decrease in 2023, we mention total value of cleared checks with -68.6% in full-year 2023, construction permits with -40.8% in 2023, exports with -24.0% in the first seven months, electricity production with -13.9% in the first six months and imports with -9.3% in the first seven months of 2023.

At the monetary level, inflation remains at a triple-digit level, with the emergence of inflation in USD parallel to currency stability. It is estimated that the inflation rate ended the month of December at 204% relative to the same of the previous year, leading to a cumulative inflation of more than 5,000% since the onset of the crisis in October 2019. What was noticeable over the past few months was the emergence of USD inflation that accumulated to a rate of 47% in 2023. With respect to monetary policy, the Central Bank seems keen on preserving its foreign currency reserves which increased by USD 0.7 billion since end-July.

At the fiscal level, the Parliament ratified a 2024 Budget law within constitutional deadlines. The State's budgeted figures for 2024 suggested public spending amounting to LBP 308.4 trillion (USD 3.4 billion) based on the new official exchange rate of LBP 89,500/USD 1, with public revenues likewise amounting to LBP 308.4 trillion (USD 3.4 billion), leaving a zero deficit. The Cabinet, which embarked on the discussion of the 2024 budget transferred from the Ministry of Finance to the Cabinet early September, quickly ratified it within constitutional deadlines, a first since the year 2002. The Budget was transferred to Parliament 15 days before the start of the Autumn session mid-October, which according to Article Number 86 of the Constitution allows the Budget to be issued in the form of a Decree rather than a Law in case Parliament did not ratify it on time.

At the banking sector level, banks are now running three distinct balance sheets: The balance sheet in LBP, the balance sheet in local dollars and the balance sheet in fresh dollars. What was notable over the past few months is the rise in fresh dollar deposits that have reached almost USD 3.5 billion today from almost USD 2 billion a year ago. Having said that, the full normalization of banking sector activity and standardization of operating conditions awaits the comprehensive adoption on behalf of State authorities of a full-fledge recovery plan that would settle the financial gap generated by State and BdL imbalances at large.

At the capital markets level, equity markets continued the noticeable surge of the previous couple of years. The BSE price index rose by 41.2% in the twelve months of the year, following a 37.2% increase in the index in 2022, mainly driven by the rise in Solidere shares. This year's rise in prices occurred within the context of a 32.1% annual increase in trading volume year-on-year to reach USD 581 million in the twelve months of 2023.

In brief, the year 2023 has been erratic in terms of performance. The first quarter of the year reported a steep depreciation of the national currency, with the LBP/USD exchange rate reaching a peak of circa 145,000 in March from a beginning-of-year figure of 43,000, and with significant adverse effects on socio-economic conditions in Lebanon at large. The second quarter of the year reported a relative improvement in real sector conditions amid monetary and currency stability, with the exchange rate revolving around 90,000 throughout the quarter. The third quarter of the year reported a significant macro upsurge, driven by the upbeat touristic sector performance and amid continuing currency stability. The fourth quarter of the year yet came amid the war spillovers in South Lebanon following the Israel-Hamas conflict that emerged on the 7th of October, with most earnings made by the various economic sectors in the summer season relatively depleted in the fall, though bearing in mind that the war spillovers did not put at stake currency stability so far.

As such, it is estimated that the year 2023 on the overall has reported a net stagnation in the real economy, with real growth close to nil, while growth was slightly positive up to September of the year. Sectors affected the most during the last quarter of hostilities were Tertiary sectors, i.e trade and services sectors, and mostly hotels and restaurants, car rentals, events and conferences sector, etc.…
As for expectations for the year 2024, they actually revolve around

three different scenarios at stake as developed by Bank Audi's research department:
1- The positive scenario with a probability of realization of circa 25%,
2- the negative scenario with a probability of realization also at circa 25%, and
3- the middle scenario with a probability of realization at circa 50% that makes it identifiable to a kind of base case scenario.

Having said that, the 2024 outlook emerges with possible tangible upside and downside risks that might represent a net deviation of the outlook ahead from the base case scenario.

The positive scenario actually depends on an end of the current Hamas-Israel war shortly, the imminent election of a Lebanese president, the formation of an effective and efficient government, the start of reform implementation, the reaching of a final agreement with the IMF and the materialization of international assistance. If these conditions are met, Bank Audi's research department expect real GDP growth rate to exceed 7%, the inflation rate to decline considerably, the exchange rate to stabilize at below 90,000, the BdL's reserves to strengthen, and a surplus in the Balance of Payments (BoP) to be recorded for no less than USD 5 billion.

As for the negative scenario, it rests on the widening of the current conflict on Lebanese territory, the absence of presidential elections and therefore the absence of government formation, no implementation of the required economic reforms and no agreement with the IMF. Under these conditions, Bank Audi's research department forecast a negative growth rate in real GDP of circa -20%, an increase in the inflation rate to 400%, a decline of BdL's reserves to USD 3 billion and a deficit in the BoP at around USD 5 billion.

Looking at the middle scenario, we assume that the conflict in the south remains but confined while maintaining the rules of engagement, yet without internal political breakthroughs that lead to economic reforms. Under this scenario, a real GDP growth rate close to nil is expected, with the inflation rate nearing 100%. Additionally, a tiny decrease in BdL's reserves is expected along with a slight deficit in the balance of payments.

In view of the significant discrepancy between the three scenarios, it is hoped that the situation in the south would soon stabilize and that Lebanese politicians will rise above their narrow interests, reduce the bickering between them, strengthen common grounds, and embark on the path of settlement and reform at large.

Lebanon's Major Economic Indicators

(USD Million)	2022	2023	Var 23/22
Macro economy			
Real GDP growth	-0.6%	-0.7%[1]	-
Real Sector Indicators			
Merchandise at Port of Beirut (000s)[2]	4,251	4,528	6.5%
Total Passengers at BIA (000s)	6,330	7,094	12.1%
Construction permits Beirut (000s of sqm)	7,432	4,403	-40.7%
Number of tourists (000s)[3]	1,338	1,566	17.1%
Cement deliveries (000s of tons)[4]	933	1,033	10.7%
Electricity production (millions of KWH)[4]	1,902	1,638	-13.9%
Monetary sector			
Var M3 (Based on official exchange rate)	13,699	-74,539	-
Velocity	0.29	0.11	-63.6%
Cleared checks	37,434	11,759	-68.6%
CPI inflation (end-period, %)	109.7%	204.3%	94.6%
Public sector			
Gross domestic debt[5]	60,549	60,892	0.6%
Foreign debt[5]	38,754	41,574	7.3%
Total gross debt[5]	99,303	102,466	3.2%
External sector			
Imports[6]	10,805	9,803	-9.3%
Exports[6]	2,127	1,617	-24.0%
Trade deficit[6]	-8,678	-8,186	-5.7%
Balance of payments	-3,197	2,237	-
Banking sector (Based on official exchange rate)			
Var: Total assets	-9,776	-53,807	-
% change in assets	-5.6%	-31.8%	-26.2%
Var: Total deposits	-4,894	-30,967	-
% change in deposits	-3.8%	-24.6%	-20.8%
Var: Total credits	-6,423	-11,730	-
% change in credits	-23.2%	-58.5%	-35.3%

[1] Average of the three scenarios presented by the World Bank
[2] First ten months of 2022 and 2023
[3] First eleven months of 2022 and 2023
[4] First six months of 2022 and 2023
[5] Figures at end-January 2022 and 2023
[6] First seven months of 2022 and 2023
Sources: World Bank, Central Bank of Lebanon, and concerned public and private entities

4.0. CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

4.1. BUSINESS OVERVIEW IN 2023

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

In Lebanon, the political and economic conditions remain till date highly challenging, excacerbated by the continued absence of the reform packs unanimously requested by local and international parties to address the severe impact of the financial crisis prevailing since October 2019. Those shortcomings continue to exacerbate the deep confidence crisis in the Lebanese banking system, forcing banks to impose a number of restrictions and limitations with respect to the withdrawal of funds and transfers abroad, as a necessary substitute to the much needed Capital Control law. Those persisting significant challenges continue impeding to a great extent the Group's business activity in its core market.

Turkey, the second principal market of presence of the Group, registered increased political and economic volatility following an increasingly challenging operating environment globally, triggering a series of measures taken by the government and the Central Bank of Turkey to deal with the financial and currency crisis that have been besetting the country for a couple of years now. In 2023, the Turkish Lira continued to follow an overall depreciatory path, reaching a 37% depreciation versus the USD during the year (after a 28% depreciation in 2022), translating into a material negative translation impact of banking aggregates when measured in USD counter-value. Notwithstanding the highly challenging conditions, Odea Bank, on a stand-alone and in Turkish Lira basis, has posted a resilient performance in 2023, supported by sustainable results, outpacing the performance of privately-owned deposit banks during the same period. The Bank continued to consolidate its financial position, with the NPL ratio improving to the lowest level achieved since 2018, at 4.6% as at end-December 2023, while posting healthy profitability ratios.

On this backdrop, Bank Audi's performance in 2023 revolved around:
1. Implementing the six going concern pillars.
2. Implementing a digital banking solution in Lebanon, "neo bank", to support the quality of earnings.
3. Adapting quickly and agilely to the numerous regulatory changes affecting the banking sector in the countries of presence, mainly in Lebanon and Turkey.

1. Implementing the Six Going Concern Pillars

Adopted in 2020, the six going concern pillars involved the implementation of a number of measures inherent to Asset Quality, Quality of Earnings, Liquidity & ALM, Solvency, Operations & Non-financial Risk, and Governance. Every strategic decision taken by Management in 2023 fell under those headings. Below is a recollection of the direction followed, by pillar:

1. Asset Quality: The Bank continued to reinforce Bank Audi Lebanon's foreign free liquidity, reaching a level of USD 1.1 billion as at end-December 2023 considered the highest in the Lebanese banking sector.

2. Quality of Earnings: The Bank extended efforts across entities to attract low cost and stable funding, while maintaining relationships with good profile obligors with consistent and recurring returns and ancillary revenues. Given the absence of a resolution plan for the Banking sector in Lebanon negatively affecting customers confidence, it is then up to the foreign entities to promote new business activity and to provide the Group with a diversified income generation capacity. In that scope, the Bank has been actively devising marketing efforts to reconnect with the Lebanese customer base that fled on the outset of the Crisis in 2019 so as to attract and channel back their deposit placement activity towards the Group's subsidiaries in France and Switzerland.

In support of this direction, new products have been developed carrying enticing advantages while an incentive program was also put in place to facilitate their marketing. The aim is to recuperate part of the deposits of this customer base that have exited at the early stage of the Lebanese crisis and to develop offshore revenue sources.

A special focus is also set on further improving the earning generation capacity in fresh dollars i) by leveraging on the impact of the unprecedented high level of international interest rates on the Bank's free liquidity in foreign currencies and ii) by revisiting the fees and commissions grid to boost the non-interest income generation.

Within that scope, the Bank in Lebanon has managed to acquire the highest market share in terms of fresh accounts business with a franchise of USD 467 million as at end-December 2023, mainly due to the consistency in the quality of service offered and the commitment to its clients through adapted product offering, customer servicing and transparent communication. The importance of this business lies in its increased commission's generation propensity driving transactional banking income. Although the latter have been exponentially increasing over the past couple of years, however in light of the prevailing confidence crisis in the Lebanese banking sector, the size of this franchise in absolute terms will continue to be limited foretelling the need for a diversified sources of income from the entities operating outside Lebanon.

The launch of Neo Bank, discussed in details below, aims also at improving net commissions generation power in a cost effective manner whereby most of the Bank's retail customers (estimated at 150,000+ customers) will be transferred to the digital bank benefitting among others from low commission rates while reducing the cost and pressure on the operation and branch levels.

In parallel, the Bank continues to pursue a policy of rationalization of operating expenses targeting a lean organizational structure commensurate with the size of the activity by improving operational efficiency and optimizing the cost structure.

3. Liquidity and ALM: Measures taken at this level emphasized the reinforcement of the Bank's long FX position in order to hedge core equity. Since early 2022, Management had prioritize initiatives aiming at reinforcing its open FX position, turning it from a short position to a long one even before the release of BdL Intermediary Circular No 683, setting new definitions for prevailing FX positions, which is now obtained by deducting FCY monetary liabilities from FCY monetary assets, to which the off balance sheet position and net book value of FCY is added. Within that scope, the declared trading position amounted to a short USD 28 million at end-December 2023. Going forward, the Bank would be implementing measures so as to further reinforce its long FX open position, providing a solid hedge to the Bank's core capital in case of further devaluation of the functional currency.

4. Solvency: the Bank endeavored to maintain sufficient capital buffers over the minimum regulatory capital adequacy levels, allowing the Group to support the management of potential non-performing exposures caused by the prevailing crisis. Despite the significant contraction of consolidated equity, the Bank's common Tier one ratio improved in 2023 moving from 6.3% as at end-December 2022 to 8.4% as at end-December 2023. This improvement in the core equity ratio was realized following a change in the Banque du Liban framework related to the computation of Lands and Buildings revaluation in full alignment with the BASEL Framework (from 50% to 75% to be included in CET1 along with gains from FX devaluation) and despite (i) the 90% devaluation of the LBP versus the US dollar, (ii) the booking of USD 166 million of ECL on the RoL Eurobonds, and (iii) the allocation of all net earnings generated to provisions for risk and charges. In addition and if implemented, the resolution to divest from Odea Bank in Turkey would drive another positive impact on capital ratios.

5. Operational and other Non-financial Risks: the Bank has been running on crisis management mode to counter the risks arising from the deteriorating economic, political and social environment in Lebanon. The restrictive measures adopted by the banks operating in Lebanon in accordance with Banque du Liban circulars in relation to the withdrawal of funds and transfers abroad are exposing all banks, including ours, to increased litigations.

Lawsuits against the banks started to be filed before Lebanese courts and then extended to foreign courts. In Lebanon, the lawsuits are not increasing substantially since the courts, especially in summary proceedings, have rejected transfers claims underlining inter alia the necessity to preserve the equality of treatment among the depositors, while others stressed on the systemic character of the crisis that requires a global solution.

The risk of lawsuits has now moved from Lebanon to abroad.

Although litigations are a common occurrence in the banking industry due to the nature of the business and for which the Bank has an established remedial protocol, claims tied to the restrictive measures adopted by the banks and resulting from the systemic crisis are dealt with on a case-by-case basis. Management is carefully considering the impact of these litigations and claims. Meanwhile, the Bank believes that a legislative solution is imperatively needed, through the enactment of laws that are appropriate for the adjudication of the unconventional legal disputes arising under the current exceptional circumstances and to ensure equality between all depositors.

In the above context, a special note should be mentioned to the complaints filed before the Public Prosecutor of Appeal in Mount Lebanon Judge Ghada Aoun. Indeed, said Prosecutor has been accepting complaints outside her jurisdiction, exceeding her powers, and taking illegal measures against the banks, including banning the banks from disposing of their properties (attribution legally vested in the investigative judge). Those measures were denounced by the banks and some of them had no alternative than to file a claim to retain the responsibility of the state because of her actions. In accordance with art. 751 of the Lebanese code of civil procedure, the judge for whom such claim is filed should stop, as of the filing date, from taking any act regarding the plaintiff. However, the Prosecutor, continued to take all kinds of illegal measures against those banks.

Lately, within a complaint filed by a depositor, Judge Ghada Aoun requested from the banks to provide her with general information unrelated to the case and covered by Lebanese banking secrecy. Judge Ghada Aoun tried to circumvent the law by asking the banks' auditors and the Banking Control Commission (BCC) to get from the banks the requested information and convey it to her. It should be noted that the demand to BCC was directed towards all the banks in Lebanon.

As you may recall, a couple of years ago on 22 February 2022, a clearly political and populistic complaint was filed by a group of lawyers under the name" الشعب يريد إصلاح النظام" ("the people want to reform the system") against "Lebanese banks" and the chairmen of their boards of directors for alleged tort and fraudulent bankruptcy, money laundering, fraud and breach of trust. The complaint was filed before the Public Prosecutor of Appeal in Mount Lebanon Judge Ghada Aoun who took a series of illegal measures against the banks and members of their Board of Directors and management including travel bans and interdiction of disposal of assets.

Bank Audi sal has so far sought diverse legal expertise on the matter: opinions unanimously converge toward the fact that the accusations 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 the General Directorate of all Internal Security Forces 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, as long as the claim filed against the state for her actions is not settled by the court. However, such instructions remained not answered. The case is now being considered by the Investigative Judge, we expect that the complaint will be rejected and the accusation dismissed for total lack of legal grounds.

On May 4, 2023, a decision was rendered by the Disciplinary Council to 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. Judge Aoun appealed said decision. Judge Aoun has also filed a request for the recusal of the President of the High Disciplinary Council who is presiding over the Court of Cassation and holding the highest position in the Lebanese Judiciary system.

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 the midst of the exceptionally difficult economic circumstances and the lack of economically vital decisions by the Lebanese authorities, Bank Audi reiterates its abidance by 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.

6. Governance: The unprecedented crisis faced by the Group for the past 4.5 years triggered the sale of some of its foreign entities and the subsequent adoption at the level of Bank Audi Lebanon of a rigorous cost control direction aiming at rightsizing its branch network and human capital with respect to its current level of business activity, along the ring-fencing of the remaining foreign entities of the Group from the Lebanon risk. Measures taken at this level all funneled into sustaining strict adherence to the internal and regulatory Governance principles, with a particular focus on the control and risk-based oversight role of the Board of Directors to accompany the particular requirements of the current challenging environment while mobilizing the Bank's executive, control, and oversight committees to ensure the continued effectiveness of the control framework. In parallel with these changes, Bank Audi has endeavored to ensure strict compliance with regulatory requirements while enhancing disclosures and transparency measures. The Bank exerted also the required efforts within the means available to observe abidance by the CSR principles to ensure sustainable development taking into account the economic, social and environmental parameters of our operations in Lebanon and abroad.

2. Implementing a digital banking solution in Lebanon, "neo bank",

As mentioned above, Bank Audi Lebanon launched a new neo bank scheme in February 2023, named Neo, complementing the cost optimization policy already initiated. In preparation to this launch, the Bank considered a number of Digital Banking solutions and opted to follow the "neo" bank scheme involving building an end-to-end digital bank with no branches on digital platforms, in line with global trends and international standards, to provide customers with more convenience, allowing them to benefit from services embedded in the digital customer journey, while enabling cost effectiveness and profitability for the Bank.

The decision to launch a Neo Bank has been supported by the fact that over the past 3 years, the Bank's operation in Lebanon has reduced by 80% and its income by 63% while its number of customers decreased by only 17%, implying a large clientele base that generates negligible income. The aforementioned changes in the demographics of the customer base dictated the optimization of the operating model whereby traditional banking would focus primarily on high and medium net worth customers, as well as corporate and commercial clients. In line with global trends, the remaining customers, of which mass and millennials, would be migrated to this new operating model which offers a compelling banking proposition at low cost.

The service starts with a digital onboarding and extends to all digital payments with an end-to-end digital back office with a simple offering. Mutual benefits for the customer and bank alike have been identified, namely improving the customer experience, removing barriers and capitalising on the payroll and mass market, scaling the acquisition of new clients, reducing dependency for physical network, and reducing fraud risk. This new solution will also help promote financial inclusion as the digital on-boarding is expected to break barriers, paving the way for the unbanked community to have access to low-cost banking services.

The development of Neo begun in February 2023 with a large number of third-party entities involved in this initiative, and an active preparation internally of business operations and human capital alike. Mid-November 2023, the Bank went into the live testing and stabilization phase, translating into successfully on-boarding of some 1,600 users from the bank staff pool by mid-December 2023. The Bank targets to transition close to 50% of its existing clients to Neo. In February 2024, the Bank commenced to migrate some of these clients and looks to on-board new clients in June 2024. In support, the Bank plans to launch in the public a comprehensive informative marketing campaign in June 2024, while continuing to roll out new features appealing to the wider community.

Neo's target customer segments include individuals and businesses with a focus on profiles such as private sector payroll, public sector payroll (primarily migrating from Audi), remittance earners, expats, freelancers, students, small traders, and merchants. The age focus is on millennials and youth, spanning low to high-income earners seeking convenience and a digital experience.

Non-migrated clients of Bank Audi would have the flexibility to opt for a digital experience with Neo while maintaining their business relationship and enjoying a personalized services.

3. Response to regulatory changes

In response to the financial Crisis that has befallen the Lebanese banking sector since October 2019, regulatory authorities in Lebanon were compelled to issue some exceptional guidelines/circulars aiming at reinforcing the financial standing of banks operating in Lebanon in the face of those adverse developments. More than 150 BdL circulars and announcements, Banking Control Commission memos, and Capital Markets Authority announcements were issued ever since and continuing. These frequent regulatory requirements, sometimes subject to changes within a short time frame, have translated in increased operational risks. Within the context of changing operating environment, the latter have caused heightened implementation challenges requiring rapid system developments/updates, new processes and additional training to employees. Notwithstanding, Bank Audi has endeavored to comply promptly with all regulatory directives.

A list of the key regulations issued is included in Note 1 of the enclosed audited financial statements. In what follows, we list the most recent regulations issued in the couple of months preceding the preparation of this discussion i.e. February 2024, with varying impact on the Bank's financial standing. These are as follows:

- BdL IC 682 issued on 17 November 2023 amending the provisions of BdL Basic Circular BC 158 which defines the mechanism for the gradual settlement of foreign currency deposits up to an amount of USD 50,000 based on several eligibility criteria. Said amendment adds an eligibility criteria whereby customers who have transferred their funds after the crisis to another local Bank can benefit from the provisions of BdL BC 158 if (i) the transferred funds are returned to the originating bank, and (ii) if the customer hadn't benefited from BdL BC 158 neither from the originating Bank, nor the destination Bank.

- BdL IC 683 issued on 17 November 2023 amending the provisions BdL BC 32 which defines the framework of Foreign Exchange FX operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (IC 659, IC 675 and IC 677) aiming at converging to the prevailing International Standards (IAS 21 The effects of changes in Foreign Exchange rates).

  Based on the new definition, BASAL holds, at end-December 2023, an open long FX position in parallel to a special Long FX position aggregating specific captions in equity denominated in FCY. Deducting the special long FX position from the open position would result as per the new definition in a short trading position of USD 28 million at year-end.

  The circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on the Global position, while cancelling all previously authorized forbearance limits (15% on net trading position in Bank Audi's case). The circular states that excesses over set limits at end-December 2023 (USD 17 million short on net trading position in our case, i.e. no excesses) should be liquidated gradually.

- BdL IC 689 issued on 2 February 2024 aligning most of the framework of capital adequacy ratios (BdL BC 44 mentioned in the previous slide) to BASEL framework. As a result, OCI reserves constituted mainly from gains from FX devaluation have been integrated into CET 1 in addition to 75% of positive changes of FVTOCI instruments (previously integrated at 50% in Tier 2). Besides, abidance by the capital conservation buffer of 2.5% was suspended for the years 2023 and 2024. Consequently, the Bank's consolidated CET 1 Tier 1 and CAR moves to 8.4%, 8.8% and 9.5% as at end-December 2023, respectively all above the minima required of 4.5%, 6.0% and 8.0%.

- BdL IC 690 issued on 2 February 2024 integrating the aforementioned OCI reserves into the calculation of regulatory equity for the computation of ratios other than capital adequacy ratios (FX position, limit of placement with FI, Code of money credit CMC 153 limit, thus easing the pressure on related limits.

- BdL BC 166 issued on 2 February 2024 defining a new mechanism for the repayment of restricted funds in FCY and de facto replacing BdL BC 151 which authorized limited withdrawals in LBP from FCY accounts at pre-defined exchange rates and has not been renewed. Beneficiaries from said circular who cannot be old or current beneficiaries from BdL BC 158 would be able to withdraw on a monthly basis USD 150 in cash up to a cumulative amount of USD 4,350 until June 2026. 50% of said amount will be financed from the Bank's own liquidity and 50% from the Bank's restricted funds with BdL. Certain exclusions parameters apply to potential customers wishing to benefit from the circular (Customers who did not return offshore transfers as per BdL BC 154, traders of checks, customers who converted LBP deposits into FCY for at least USD 300,000 post crisis with the exception of those who converted their EOS indemnity, customers who settled their FCY loans for an amount equivalent to 300,000 from LBP proceeds, beneficiaries of Sayrafa transaction above or equal to USD 75,000, corporate clients, etc). Since some points defining eligibility and scope are still unclear and would be subject to additional clarifications in the coming period, the Bank have run a series of queries based on the existing assumptions turning an impact by USD 89 million over the next 3 years.

- BdL BC 167 issued on 2 February 2024 defining the published rate on BdL's electronic platform as the FX translation rate for the Bank's FCY monetary items as well for the non-monetary assets measured at fair value and assets measured as per equity method in line with IAS 21. This measure applies starting January 2024 reported financials.

4.2. CONSOLIDATED FINANCIAL OVERVIEW IN 2023

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. 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-December 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 rates for the period, stood at USD 18.6 billion as at end-December 2023, compared to USD 26.9 billion as at end-December 2022, i.e. decreasing by USD 8.4 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 7.0 billion, from USD 8.7 billion as at end-December 2022 to USD 1.7 billion as at end-December 2023, driven mostly by a 90% devaluation in February 2023 of the Official exchange rate of the Lebanese Pounds to the USD. Accordingly, consolidated assets denominated in foreign currencies decreased by USD 1.4 billion, broken down over a decrease by USD 1 billion in assets of entities operating outside Lebanon and a contraction by USD 0.3 billion for the assets of Lebanese entities denominated in foreign currencies.

The contribution of Odea Bank to the evolution of consolidated assets in 2023 accounts for most of the negative evolution of assets of foreign entities representing a negative USD 848 million, underscoring a negative translation impact of USD 755 million following the devaluation of the Turkish Lira against the USD by 37% (from TRY 18.7 per USD as at end-December 2022 to TRY 29.48 per USD as at end-December 2023), leaving a real decrease by USD 93 million.

In the course of 2023, and given the significant requirement of Odea Bank for capital needs to sustain its growth at the current level amidst a continuing devaluation of the Turkish Lira, the Board of Directors resolved to divest of its investment in the Turkish subsidiary. In waiting for the completion of this transaction, the operation of Odea Bank, and in compliance with IFRS, is to be treated as a discontinued operation and accordingly its financials will no longer be reflected in the line-by-line structure of the Statement of Financial Position as at end-December 2023, the same way it continues to be reflected as at end-December 2022. Rather, its assets and liabilities are to be booked under "assets held for sale" and "liabilities held for sale" respectively (sub captions of "other assets and other liabilities" in the Summarized Statement of Financial Position below). In the Income Statement, the net profits generated by this discontinued operation in the years 2022 and 2023 were booked under "results from discontinued operations".

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

Summarised Statement of Financial Position

(USD Million)	Dec-22	Dec-23	Change in Volume Dec-23/Dec-22	%
Cash & placements with banks and central banks	11,634	11,555	-79	-0.7%
Portfolio securities	5,535	1,707	-3,828	-69.2%
Loans to customers and related parties	3,937	1,049	-2,888	-73.3%
Other assets*	707	3,015	2,308	326.4%
Fixed assets	5,113	1,239	-3,874	-75.8%
Assets = Liabilities + Equity	26,926	**18,566**	**-8,360**	**-31.0%**
Bank deposits	2,234	357	-1,877	-84.0%
Customers' deposits and related parties	19,381	13,033	-6,348	-32.8%
Subordinated debt	546	271	-275	-50.4%
Other liabilities	748	3,166	2,418	323.3%
Shareholders' equity (profit included)	4,017	1,739	-2,278	-56.7%
AUMs + fid. dep. + cust. acc.	7,573	7,823	250	3.3%
Assets + AUMS	34,499	**26,389**	**-8,110**	**-23.5%**

** In 2023, other assets includes assets held for sale amounting to USD 2,836 million.*

Consolidated assets under management, including fiduciary deposits and custody accounts, stood at USD 7.8 billion as at end-December 2023, up from USD 7.6 billion as at end-December 2022, representing an increase by USD 250 million. By entity, USD 554 million of this increase is accounted for by Banque Audi (Suisse), USD 451 million at the level of Lebanese entities and USD 69 million from KSA, partially offset by USD 823 million due the effect of the deconsolidation of Odea Bank in AuMs. By type, the increase in consolidated AuMs reflects an increase in fiduciary deposits by USD 139 million during the year, of which USD 128 million accounted for by Banque Audi (Suisse). In parallel, consolidated assets under management increased by USD 110 million, driven mostly an increase by USD 426 million at Bank Audi (Suisse), reflecting impact of market conditions along with a resumption of activity growth starting mid 2023. Subsequently, the aggregate of consolidated assets and AuMs, including fiduciary deposits, custody accounts and AuMs, reached USD 26.4 billion at end-December 2023, compared to USD 34.5 billion as at end-December 2022, underscoring a contraction by 23.5%.

BREAKDOWN BY GEOGRAPHY

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

	Assets			Deposits			Loans		
	Dec-22	**Dec-23**	Change	Dec-22	**Dec-23**	Change	Dec-22	**Dec-23**	Change
By region									
Lebanon	75.8%	70.5%	-5.3%	74.9%	85.1%	10.2%	37.9%	21.8%	-16.1%
Abroad	24.2%	29.5%	5.3%	25.1%	14.9%	-10.2%	62.1%	78.2%	16.1%

29.5% of consolidated assets are booked in entities outside Lebanon as at end-December 2023, compared to 24.2% as at end-December 2022, clearly witnessing to the positive growth of those entities amid a stable performance for Lebanese entities. Entities outside Lebanon also accounted for 78.2% of consolidated net loans compared 62.1% as at end-December 2022. Adjusting the consolidated loans as at end-December 2022 from the contribution of Odea Bank for comparison at equal basis reveals that entities outside Lebanon would account for 38.7% of consolidated net loans at the same date. The evolution is explained by a continued derisking of the loan portfolio in Lebanese entities reaching a mere USD 228 million as at end-December 2023, within an increased share of loan booking in the entities abroad. Similarly, entities outside Lebanon accounted for 14.9% of consolidated customers' deposits as at end-December 2023, compared to 25.1% as at end-December 2022 (including deposits of Odeabank). Adjusting the consolidated deposits as at end-December 2022 from the contribution of Odea Bank for comparison reasons, entities outside Lebanon would account for 13.3% of consolidated deposits.

BREAKDOWN BY CURRENCY

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

The table below highlights a breakdown of consolidated assets, deposits and loans by currency as at end-December 2023 (excluding Odea Bank) compared to end-December 2022 (including the contribution of Odea Bank), while differentiating foreign currency stocks 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 Foreign Currency – Local vs "Fresh"

	2023				
		FCY			
(USD Million)	LBP	o.w. Lollars(*)	o.w. Fresh(**)	Total FCY	Total LBP & FCY
Loans and advances to customers and related parties	**62**	**161**	**826**	**987**	**1,049**
Total assets	1,716	10,200	**6,650**	16,850	18,566
Deposits from customers and related parties	470	10,143	**2,420**	12,563	13,033

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

	Change 2023-2022 in %				
		FCY			
	LBP	o.w. Lollars(*)	o.w. Fresh(**)	Total FCY	Total LBP & FCY
Loans and advances to customers and related parties	-94.7%	-50.6%	-66.3%	-64.5%	-73.3%
Total assets	**-80.3%**	**-4.8%**	**-11.2%**	**-7.4%**	**-31.0%**
Deposits from customers and related parties	-87.0%	-4.1%	-53.4%	-20.4%	-32.8%

(*) 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.

Lebanese Pounds (LBP) are translated to US Dollar at the closing official exchange rates (LBP 15,000/USD as at end-December 2023 and 1,507.5/USD as at end-December 2022) published by the Central Bank of Lebanon, in line with IAS 21 due to the lack of an alternative legal exchange mechanism.

As at end-December 2023, the USD 18.6 billion of consolidated assets are composed of USD 1.7 billion of assets denominated in LBP, USD 6.7 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.

4.2.1. Asset Allocation by Type

A comparative analysis of the consolidated assets allocation in 2023 is impacted by the following factors rendering the comparison a bit tedious:

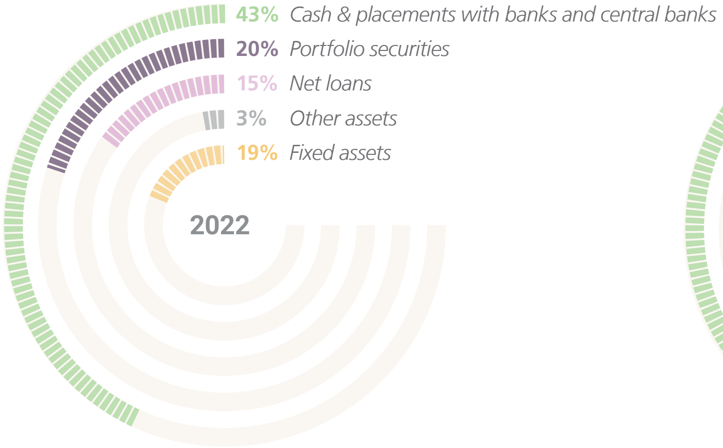
1- The deconsolidation of Odea Bank contribution from the line-by-line structure of the Statement of Financial Position as at end-December 2023, while it is still included in the position as at end-December 2022,

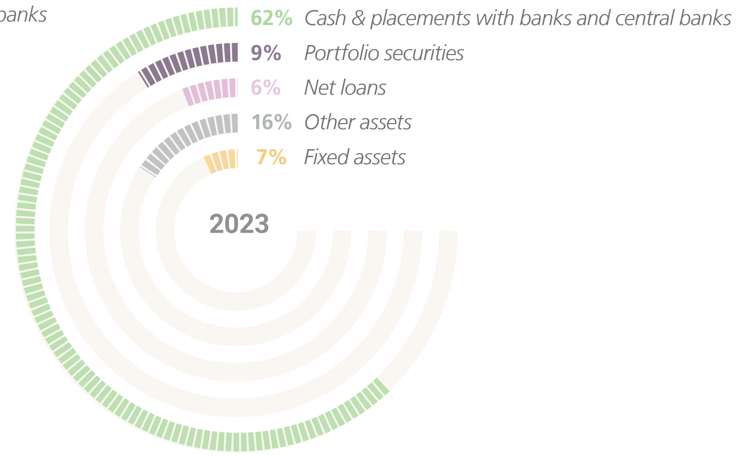
2- The share of fixed assets in total consolidated assets standing at 19% as at end-December 2022 compared to 7% as at end-December 2023. The distorted ratio as at end-December 2022 reflects the inclusion of the USD 4.5 billion of surplus gains of revaluation of real estate properties booked at the prevailing "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-December 2023 normalised the effect of this inclusion to a certain extent.

The following charts set out the allocation by asset class as at end-December 2023 as compared to end-December 2022. The discussion that follows analyses the evolution of the various asset classes and their respective key indicators over the same period.

As at end-December 2023, the assets allocation structure, taking into account the booking of all assets of Odea Bank under other assets, continued to be skewed in priority towards cash and placements with banks and central banks, which account for close to 62% of total uses as at end-December 2023, followed by a shared of 9% for the consolidated portfolio securities in total assets, a mere 6% for net loans, 7% for fixed assets and 16% for other assets. The significant increase in the share of Other Assets is hence attributable to the contribution of Odea Bank, net of the negative FX translation impact resulting from the devaluation of the Turkish Lira versus the US Dollar by 37% during the year.

Assets Breakdown





Excluding the contribution of Odea Bank, the comparative analysis of the allocation over the different uses relative to consolidated customers' deposits as at end-December 2023 sets out that the vast majoriy of placements are accounted for by cash & placements with banks and central banks (excluding certificates of deposit issued by the Central Bank) accounting for a share of 88.7% of consolidated customers deposits, following by portfolio securities accounting for a share of 13.2% within a ratio of consolidated loans to deposits standing at a mere 8.1%.

4.2.1.1. CHANGES IN PLACEMENTS WITH CENTRAL BANKS AND BANKS

The Bank's consolidated placements with central banks and banks (comprised principally of cash, as well as amounts held at central banks *(including free accounts and compulsory reserves and excluding certificates of deposit issued by the Central Bank of Lebanon)*, placements with banks and loans to banks and reverse repurchase facilities with Central Banks and financial institutions) reached USD 11.6 billion as at end-December 2023, excluding the contribution of Odea Bank compared to USD 11.6 billion as at end-December 2022 including Odea Bank.

The following table sets out the breakdown of those placements by type and by currency as at end-December 2023:

Placements with Central Bank and Banks (Excluding CDs)

(USD Million)	LBP	USD	EUR	OTHERS	TOTAL
Cash and placements with Central Banks	191	8,885	769	53	9,898
o.w. Reserves requirements	88	1,408			1,496
o.w. Cash deposits	103	7,477	769	53	8,402
Placements with banks	4	1,401	66	186	1,657
Total Placements	195	10,286	835	239	11,555

The Bank's placements with central banks and banks in Lebanese Pounds are essentially composed of cash and deposits with the Central Bank of Lebanon. Placements in Lebanese Pounds decreased from USD 789 million as at end-December 2022 to an all-times low of USD 191 million as at end-December 2023, registering a contraction by USD 598 million over the period. The decrease reflects predominantly a contraction in reserve requirements by USD 549 million within a decrease in deposits placed at the Central Bank of Lebanon by USD 49 million over the period. This evolution reflects predominantly the impact of the 90% devaluation of the Lebanese pounds versus the USD Dollar adopted by the regulatory authorities in February 2023. Subsequently, the ratio of placements with central banks and banks in Lebanese Pounds to deposits denominated in Lebanese Pounds increased noticeably from 21.9% as at end-December 2022 to 41.5% as at end-December 2023, underscoring a faster increase in placements denominated in LBP than in customers' deposits denominated in LBP at this particular date.

The Bank's placements with central banks and banks in foreign currency consist of cash and short-term deposits placed at the Central Bank of Lebanon and other central banks, excluding certificates of deposit issued by BdL, and placements in banks. The Bank's placements with central banks and banks in foreign currencies reached USD 11.4 billion as at end-December 2023 (excluding Odea Bank) compared to USD 10.8 billion as at end-December 2022 (including the contribution of Odea Bank). Relative to consolidated customers' deposits of USD 11.2 billion at the same date, the Bank's placements with central banks and banks in foreign currency represented 92.0% of those deposits.

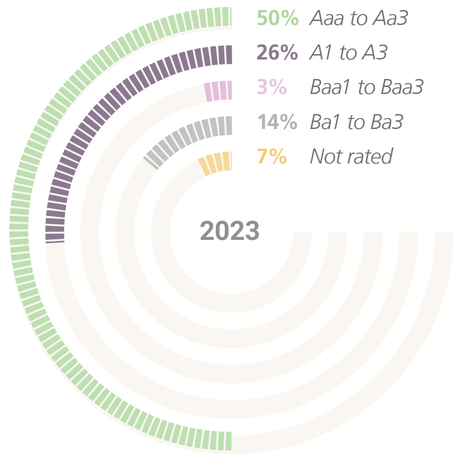
By type, placements with central banks denominated in foreign currencies amounted to USD 9.7 billion as at end-December 2023, with deposit placements denominated in foreign currencies standing at USD 8.3 billion with the remainder accounted for by reserve requirements. Deposit placements at central banks denominated in US Dollar increased from almost USD 6 billion as at end-December 2022 to USD 7.5 billion as at end-December 2023, following 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.

In parallel, placements with correspondent banks, excluding Odea Bank's contribution, stood at USD 1.7 billion as at end-December 2023, accounting for 13.2% of foreign currency-denominated deposits, leaving a share of 86.8% of consolidated customers' deposits for placements with central banks. Part and parcel of the latter, Bank Audi Lebanon had USD 1.1 billion in liquidity denominated in foreign currencies as at end-December 2023, o.w USD 628 million free, post netting of the external accounts deposits in same currencies of USD 467 million. More significantly, as at end-December 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 6.88% as of 13 January 2024. It would increase to 7.51% after excluding the payments in fresh currency made as per BdL 158, after reaching USD 9.43% as at end-September 2023. The drop registered in the fourth quarter of the year is justified by the opening of an USD 100 million LC in favor of a customers along with a USD 125 million placement in US Treasury bills in the scope of optimizing the asset and liability management as US Treasury bills are not considered liquid instrument as per the aforementioned circular.

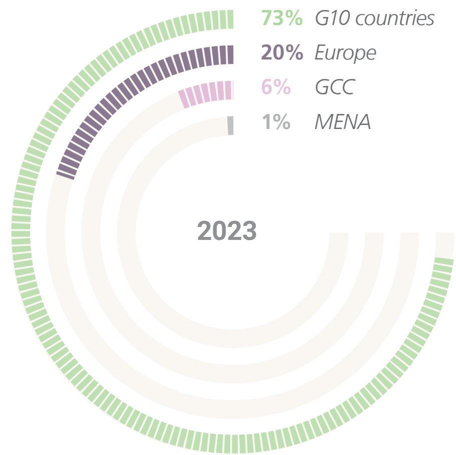
The Bank's placements with correspondent banks are mainly based in low risk OECD and GCC countries that show high levels of solvency and financial and monetary stability. 76% of the placements (excluding reverse repo agreements) denominated in foreign currencies are held in banks rated A3 or better.

The charts below set out the breakdown of money market placements held with banks (excluding reverse repo agreements) as at end-December 2023 by rating and geographic location:

Breakdown of Placements with Banks by Rating in 2023



Breakdown of Placements with Banks by Region in 2023



4.2.1.2. CHANGES IN SECURITIES' PORTFOLIO

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

The Bank's securities portfolio contracted in 2023 by USD 3.8 billion or 69.1%, to stand at USD 1.7 billion as at end-December 2023 (excluding Odea Bank), compared to USD 5.5 billion as at end-December 2022 (including Odea Bank contribution). 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 in addition to a decrease in the securities denominated in Turkish Lira following the deconsolidation of Odea Bank by USD 523 million within a decrease in portfolio securities denominated in foreign currencies by USD 2.2 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	Dec-23	Change in Volume	Change in %
Central Bank of Lebanon certificates of deposit	2,264	682	-1,582	-69.9%
LBP-denominated	17	4	-13	-76.2%
Foreign currency-denominated	2,247	678	-1,569	-69.8%
Net Lebanese Treasury bills and Eurobonds	1,474	164	-1,310	-88.9%
LBP-denominated	1,360	137	-1,223	-90.0%
Foreign currency-denominated	114	27	-87	-76.6%
Risk-ceded government Eurobonds	11	10	-1	-4.6%
LBP-denominated				
Foreign currency-denominated	11	10	-1	-4.6%
Other non-Lebanese sovereign securities	1,164	420	-744	-63.9%
TRY	523		-523	-100.0%
USD	518	365	-153	-29.6%
EUR	123	55	-68	-54.9%
Other fixed income securities	508	285	-223	-44.0%
LBP-denominated				
Foreign currency-denominated	508	285	-223	-44.0%
Equity securities	114	147	33	28.3%
LBP-denominated	14	113	99	687.9%
Foreign currency-denominated	100	34	-66	-66.8%
Total portfolio securities	5,535	1,707	-3,828	-69.2%

Lebanese Bonds and Central Bank Certificates of Deposit Portfolio
Certificates of deposit issued by the Central Bank of Lebanon decreased by USD 1.6 million, predominantly accounted for by the certificates of deposit issued by the Central Bank of Lebanon denominated in foreign currencies contracting from USD 2.2 billion as at end-December 2022 to USD 678 million as at end-December 2023 following maturing issuances in the third and fourth quarter of the year. As at end-December 2023, certificates of deposit issued by the Central Bank of Lebanon denominated in foreign currencies represented 39.7% of the total securities portfolio and 5.2% of customers' deposits, compared to 40.6% and 11.6% respectively as at end-December 2022. 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 9.9 billion as at end-December 2023, compared to USD 10.1 billion as at end-December 2022, contracting by USD 123 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 during 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 from USD 183 million as at end-December 2022 to stand at USD 212 million as at end-December 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 both in the trading portfolio or amortized cost. Since 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 175 million as at end-December 2023, representing almost 83% 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 2023, to stand at a mere USD 37 million as at end-December 2023.

Non-Lebanese Sovereign Securities
The Bank's non-Lebanese sovereign risk stood at USD 420 million as at end-December 2023 compared from USD 1,164 million as at end-December 2022, with the variation mostly justified by the deconsolidation of Odea Bank amid a decrease in securities denominated in USD by USD 153 million and those denominated in Euros by USD 68 million.
In relative terms, the Bank's portfolio of non-Lebanese sovereign bonds represented 24.6% of the total securities portfolio and 3.3% of foreign currency-denominated customers' deposits. In aggregate, these represent placements by all the Group's entities in sovereign securities rated B+ or better, in line with the Group's overall risk tolerance/appetite.

Other International Fixed Income Securities
The Bank's exposure to other international fixed income securities stood at USD 285 million as at end-December 2023 whereby it stood at USD 508 million as at end-December 2022. This is mainly due to the decrease of bonds portfolio related to banks and financial institutions issuers. The portfolio is now less concentrated on banks and financial institutions issuers which represent 37.4% of the total portfolio compared to 55.4% as at end-December 2022, while corporate issuers accounted for 27.3% (compared to 18.5% as at end-December 2022) and the remaining 35.3% (compared to 26.1% as at end-December 2022) represented instruments categorized under "loans to customers at fair value through P&L".

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

Portfolio Securities by Asset Class

(USD Million)	Dec-22	Dec-23	Change in Volume	Change in %
Financial assets held at FVTPL	170	291	121	70.6%
LBP-denominated	0	0		
Foreign currency-denominated	170	291	121	70.6%
Financial assets designated at fair value through OCI	685	135	-550	-80.3%
LBP-denominated	14	112	98	700%
Foreign currency-denominated	671	23	-648	-96.5%
Financial assets classified at amortised cost	4,680	1,282	-3,398	-72.6%
LBP-denominated	1,377	141	-1,236	-89.8%
Foreign currency-denominated	3,303	1,141	-2,162	-65.5%
TOTAL PORTFOLIO SECURITIES	5,535	1,707	-3,828	-69.2%
LBP-denominated	1,391	252	-1,139	-81.9%
Foreign currency-denominated	4,144	1,455	-2,689	-64.9%

As at end-December 2023, financial assets classified at amortized cost continued to represent the vast majority of the portfolio with a share of 75.1%, albeit decreasing from 84.6% as at end-December 2022. The share of financial assets designated at fair value through OCI decreased to 7.9% as at end-December 2023, from 12.4% as at end-December 2022 while the share of financial assets held at fair value through profit or loss made up for the difference increasing to 17% from 3.1% as at end-December 2022.

The following table sets out the distribution of financial assets classified at amortized cost by type of security, as at end-December 2023 as compared to end-December 2022, and underscoring a stable structure across dates:

Distribution of Financial Assets Classified at Amortised Cost by Type

(USD Million)	Dec-22	Dec-23	Change in Volume	Change in %
Central Bank of Lebanon Certificates of Deposit	2,265	683	-1,582	-69.8%
Net Lebanese Treasury Bills and Eurobonds	1,463	152	-1,311	-89.6%
Risk-ceded Government Eurobonds	11	10	-1	-4.6%
Other non-Lebanese sovereign securities	587	257	-330	-56.2%
Other fixed income securities	354	180	-174	-49.2%
Financial assets classified at Amortized Cost	4,680	1,282	-3,398	-72.6%

The distribution of financial assets classified at amortized cost over the different types of assets classed remained concentrated on Certificate of deposits issued by the Central Bank of Lebanon with a share of 53.3% as at end-December 2023, followed by other non-Lebanese sovereign bonds with 20.1%, other fixed income securities with 14% with the remainder accounted for by Lebanese sovereign securities.

4.2.1.3. LOAN PORTFOLIO

LEBANESE ENTITIES

The Bank continues to face challenging credit conditions and an unprecedented economic downturn in its Lebanese market.
The net loan portfolio of Lebanese entities has contracted as at end-December 2023 by USD 1,264 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 NPLs.
- Settlement of loans in line with the de-risking strategy adopted since the start of the Lebanese crisis.

Management has been reluctant to offer new facilities in hard currency. Only few selective lending in LBP were granted to strategic clients operating in defensive sectors. As at end-December 2023, Management approved 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, the share of FCY loans in the total net loan portfolio surged again to reach 75% at end-December 2023 up from 23% at end-December 2022, even though FCY loans witnessed a decrease during the past 3 years.

LOAN QUALITY LEBANESE ENTITIES

Lebanese Entities

(USD Million)	Dec-22	Dec-23	Change Dec-23/Dec-22
Credit-impaired loans	**567**	**321**	**-246**
o.w. Corporate	435	251	-184
o.w. Retail	132	70	-62
Net loans	**1,493**	**228**	**-1,265**
o.w. Corporate	1,131	200	-931
o.w. Retail	362	28	-334
Allowance for ECL Stage 3	**416**	**252**	**-164**
o.w. Corporate	296	184	-111
o.w. Retail	121	68	-53
Allowance for ECL Stages 1 & 2	**39**	**19**	**-20**
o.w. Corporate	13	16	3
o.w. Retail	25	3	-22
Credit-impaired loans/Gross loans	**29.1%**	**64.2%**	**35.1%**
o.w. Corporate	30.2%	62.6%	32.4%
o.w. Retail	25.9%	70.4%	44.5%
Net credit-impaired loans/Gross loans	**7.7%**	**13.7%**	**6.0%**
o.w. Corporate	9.7%	16.6%	6.9%
o.w. Retail	2.1%	2.2%	0.1%
Credit-impaired loans coverage	**73.5%**	**78.6%**	**5.1%**
o.w. Corporate	67.9%	73.5%	5.6%
o.w. Retail	91.8%	96.9%	5.1%
Allowance for ECL Stages 1 & 2/Net loans	**2.6%**	**8.4%**	**5.8%**
o.w. Corporate	1.2%	8.1%	6.9%
o.w. Retail	7.0%	10.5%	3.5%

(*) As per IFRS 9.

Credit-impaired loans of Lebanese entities decreased by USD 246 million (merely 43% drop) due to collection effort, and stood at USD 321 million as at end-December 2023 with the settlement of USD 184 million of commercial loans and USD 62 million of retail loans. Provisions were released accordingly resulting in a decrease in total allowances for ECL Stage 3 by USD 164 million while the coverage ratio of the credit-impaired loans stood at 78.6 % as at end-December 2023 compared to 73.5% as at end-December 2022.

The credit-impaired loans/gross loans ratio increased from 29.1% at end-December 2022 to 64.2% at end-December 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 in FCY.

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

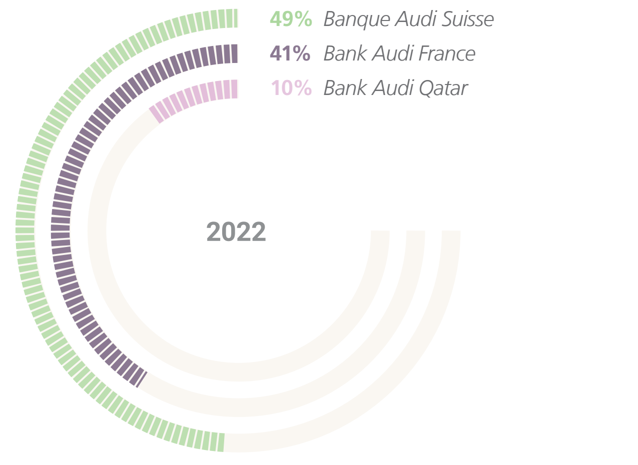
The operations of Bank Audi Group in Turkey, under Odeabank, will be excluded going forward as it will be tackled in a separate section following the reclassification of Odea under “Assets held for sale” and “Liabilities held for sale” starting end-December 2023.

This said, below overview pertains to the consolidated loan portfolio of the Group’s operations in Switzerland, France and Qatar.

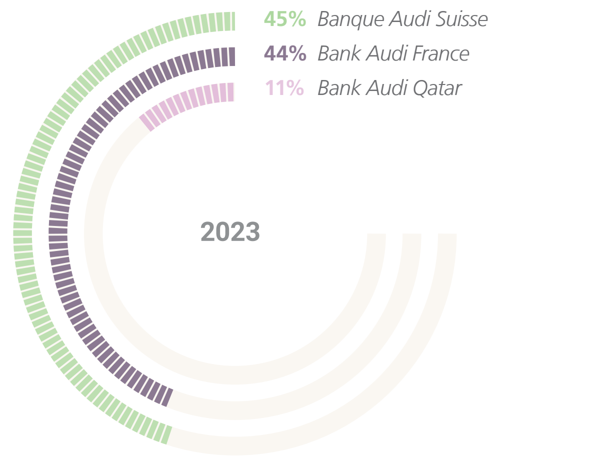
A breakdown of the net loan portfolio of entities operating outside Lebanon by geography as at end-December 2023 reveals that 45% of the loans were booked in Banque Audi (Suisse), 44% in Bank Audi France and 11% in Bank Audi Qatar. This is compared to 49%, 41%, and 10% respectively as at end-December 2022.

The total net loan portfolio of entities operating outside Lebanon decreased by USD 122 million during 2023, standing at USD 821 million at end-December 2023 compared to USD 943 million as at end-December 2022. The decrease stems mainly from a decrease of Banque Audi (Suisse) portfolio by USD 91 million and of Bank Audi France portfolio by USD 29 million.

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



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

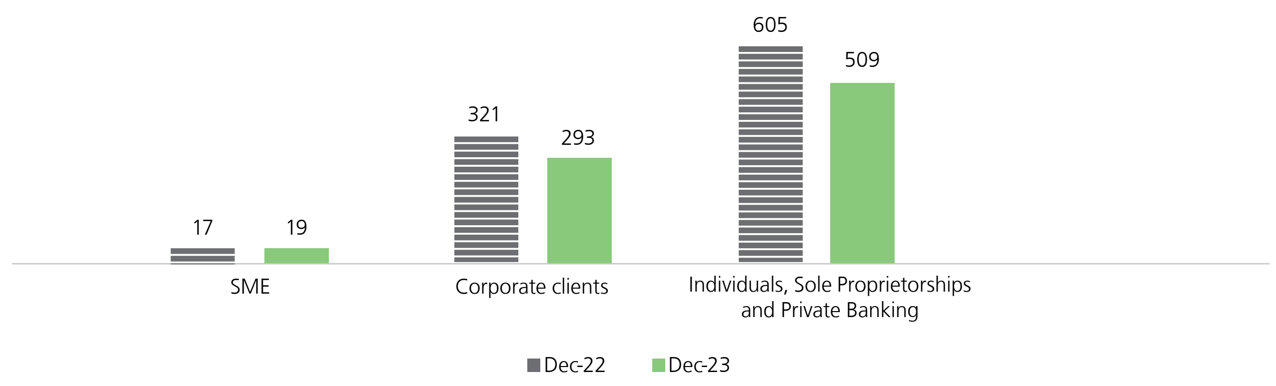


ANALYSIS OF LOANS BY CLASS OF BORROWER

The distribution of the Bank’s net loans of entities operating outside Lebanon by type of borrower shows a concentration in the Sole Proprietorship and Private Banking segment representing 62% of the portfolio compared to 64% as at end-December 2022 mainly due to Banque Audi (Suisse) portfolio while the remaining of the portfolio was concentrated in the corporate segment which constituted 36% of the loan book as at end-December 2023 (compared to 34% as 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 (45%) despite the decrease by USD 95 million in absolute terms (20%) during 2023. This is mainly due to the fact that the concentration of loans is in Banque Audi (Suisse).

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

	Dec-22		Dec-23	
(USD Million)	Volume	Share in %	Volume	Share in %
Private Banking	467	50%	372	45%
Developers & Real Estate Services	80	8%	87	11%
Non-Bank Holdings & Financial Entities	83	9%	86	10%
Wholesale Trade	92	10%	75	9%
Manufacturing Industries	57	6%	53	6%
Other loans	164	17%	148	18%
Total	943	100%	821	100%

ANALYSIS OF LOANS BY MATURITY

An analysis of the evolution of the loan book of entities operating outside Lebanon by maturity in 2023 shows a decrease in short-term facilities by USD 86 million and medium-term facilities by USD 29 million.

However, the structure of this net loan portfolio across maturities remains almost the same with 69% of the total loans falling under short-term loans as at end-December 2023 (compared to 70% 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-December 2023 compared to end-December 2022.

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

	Dec-22		Dec-23	
(USD Million)	Volume	Share in %	Volume	Share in %
Short-term facilities	657	70%	571	69%
Medium-term facilities	77	8%	48	6%
Long-term facilities	209	22%	202	25%
Total	943	100%	821	100%

ANALYSIS OF LOANS BY TYPE OF COLLATERAL

As at end-December, 2023, 65% of the consolidated net loan portfolio booked in entities operating outside Lebanon was secured, predominantly by Securities (33% of the secured portfolio) as the majority of loans at Bank Audi Suisse is covered by securities (Bonds & Shares).

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

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

	Dec-22		Dec-23	
(USD Million)		%		%
Secured	623	66%	530	65%
Cash co. & bank guarantee	*196*	*21%*	*141*	*17%*
Real estate mortgage	*105*	*11%*	*121*	*15%*
Securities (bonds & shares)	*322*	*34%*	*268*	*33%*
Corporate or personal guarantees	160	17%	144	18%
Unsecured	160	17%	147	18%
Total	943	100%	821	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-December 2023 as compared to end-December 2022 for entities operating outside Lebanon:

Loan Quality - Entities operating outside Lebanon (Excluding Odea Bank)

(USD Million)	Dec-22	Dec-23	Change Dec-23/Dec-22
Credit impaired loans	23	31	8
Net Loans	944	821	-123
Allowance for ECL stage 3	14	26	12
Allowance for ECL stage1 & 2	11	12	1
Credit-impaired loans/Gross loans	2.4%	3.6%	1.2%
Net credit-impaired loans/Gross loans	0.9%	0.5%	-0.4%
Credit-impaired loans coverage	60.4%	85.5%	25.1%
Allowance for ECL Stages 1 & 2/Net loans	1.2%	1.4%	0.2%

(*) As per IFRS 9.

Credit-impaired loans of entities operating outside Lebanon increased by USD 8 million which was followed by an increase in Stage 3 ECL mainly due to downgrade of clients at Bank Audi France.

To note that credit impaired loans coverage increased from 60.4% as of December 2022 to 85.5% as of December 2023.

Loan Quality - Odea Bank

	Dec-22			Dec-23		
(USD Million)	Retail	Corporate	Total	Retail	Corporate	Total
Credit Impaired loans	3.3	76.5	79.8	1.8	51.5	53.3
- ECL on stage 3	2.1	37.6	39.7	1.2	32.6	33.8
= Net Credit Impaired	1.2	38.9	40.0	0.7	18.9	19.6
Stage 1	11.7	1,128.4	1,140.2	8.2	803.8	812.0
ECL on Stage 1	0.0	8.3	8.3	0.0	14.0	14.0
Stage 2	1.0	390.1	391.1	0.3	305.2	305.5
ECL on Stage 2	0.0	62.4	62.4	0.0	52.4	52.4
Gross Loans	16.0	1,595.0	1,611.0	10.4	1,160.5	1,170.9
Net Loans	13.9	1,486.6	1,500.5	9.2	1,061.6	1,070.8
Credit impaired loans/ Gross loans	20.39%	4.80%	4.95%	17.74%	4.44%	4.56%
Net credit impaired loans/ Gross loans	7.25%	2.44%	2.48%	6.45%	1.63%	1.67%
Credit impaired loans coverage	64.44%	49.21%	49.83%	63.62%	63.24%	63.26%
Allowance for ECL stage 1 & 2 / Net loans	0.04%	4.76%	4.71%	0.02%	6.25%	6.20%

Total Net loan portfolio of Odeabank decreased by USD 430 million during 2023 standing at USD 1.07 billion at end-December 2023 compared to USD 1.5 billion as at end-December 2022.The decrease is mainly the result of the devaluation of the Turkish Lira, settlement of loan denominated in foreign currency (FC) and conversion of loans in foreign currency to local currency.

The dominant currency of total net loans at Odeabank is the Turkish Lira (54% in December 2023 compared to 51% in December 2022).

The distribution of the Bank's net loans of Odeabank by type of borrower shows a concentration in the corporate clients segment representing 95% of the total portfolio as at end-December 2023 compared to 93% as et end-December 2022.

The distribution by economic sector mainly consists of loans to Manufacturing industries (28%), Developers and real estate services (25%) and Hotels and restaurants (17%).

As at end-December 2023, 45% of the consolidated net loan portfolio booked in ODEA was secured, predominantly by real estate mortgages (42% of the secured portfolio).

Stage 2 exposure of Odeabank dropped by USD 86 million as a result of settlement/conversion of FC stage 2 loans and devaluation of the TRY. Stage 2 exposure represents 26% of gross loans as at end-December 2023 compared to 24% as at end-December 2022 in line with the decrease in loan portfolio.

Credit-impaired loans decreased by USD 26 million and continued its decreasing trend driven by collection efforts offsetting any new downgrade witnessed during 2023, as well as by the effect of devaluation on Odea Bank's Stage 3 loans portfolio which is all denominated in Turkish Lira.

To note that credit impaired loans coverage increased from 50% as at end-December 2022 to 63% as at end- December 2023.

4.2.2. Funding Sources

Funding sources of Bank Audi sal continue to be predominantly driven by private customers' deposits. As at end-December 2023, consolidated deposits represented 70.2% of total funding sources, with the structural shift relative to end-December 2022 reflecting predominantly the FX impact following the adoption of the new official exchange rate in 2023 as well as the booking of the funding captions of Odea Bank under other liabilities whose share in total liabilities reached 17.1%. This was partially compensated by a decrease in the share of shareholders' equity in total funding to 9.4% as at end-December 2023, while Central Banks' with Banks' deposits and subordinated debt had shares in total funding of 1.9% and 1.4% at the same date.

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	Dec-23	Change in Volume.	Change in %
Central Banks' deposits	**1,814**	**169**	**-1,644**	**-91%**
Time deposit	*1,633*	*169*	*-1,464*	*-90%*
Repurchase agreements	*181*	*-*	*-181*	*-100%*
Banks' deposits	**420**	**188**	**-232**	**-55%**
Sight deposits	*138*	*68*	*-69*	*-50%*
Time deposits	*249*	*120*	*-129*	*-52%*
Repurchase agreements	*33*	*-*	*-33*	*-100%*
Customers' and related parties' deposits	**19,381**	**13,033**	**-6,348**	**-33%**
Sight deposits	*10,246*	*7,645*	*-2,601*	*-25%*
Time deposits, saving accounts and certificates of deposit	*8,571*	*5,103*	*-3,468*	*-40%*
Collateral and margins	*564*	*285*	*-279*	*-49%*
Subordinated loans	**546**	**271**	**-275**	**-50%**
Other liabilities	**748**	**3,166**	**2,418**	**323%**
Shareholders' equity	**4,017**	**1,739**	**-2,278**	**-57%**
Total	26,926	18,566	-8,360	-31.0%

Changes in Customers' Deposits

Consolidated customers' deposits (including related-party deposits) moved from USD 19.4 billion at end-December 2022 to USD 13.0 billion as at end-December 2023, decreasing by USD 6.3 billion during the year. An analysis of this evolution by currency shows that it stems 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 3.1 billion, to be added to the effect of the deconsolidation of Odea Bank standing at USD 2.6 billion, leaving a net contraction in consolidated customers' deposits in foreign currencies by USD 0.6 billion. The latter is mostly attributed to a contraction of deposits of Banque Audi (Suisse) by USD 404 million mostly following the placement of those deposits into fiduciary deposits (AuM) to benefit from the surge of reference rates globally within a contraction of deposits denominated in foreign currencies of Lebanese entities by USD 302 million, partially offset by an increase in deposits in Bank Audi France by USD 133 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-December 2023, of which USD 481 million denominated in LBP and USD 10.7 billion in foreign currencies, including USD 10.1 billion of restricted deposits in foreign currencies. Customers' deposits of Bank Audi France reached USD 1.1 billion, while those of Private banking entities reached USD 771 million and those of Bank Audi Qatar reached USD 74 million.

Subsequently, Lebanese entities account for a share of 85.1% in consolidated customers' deposits as at end-December 2023, followed by a contribution of 8.4% for Bank Audi France, 5.9% for Private Banking entities and 0.6% from Bank Audi Qatar.

ANALYSIS OF CUSTOMERS' DEPOSITS BY BUSINESS SEGMENT

The following table sets out the breakdown of consolidated customers' deposits over business segments as at end-December 2023 as compared to end-December 2022. We have included for comparison on equal basis, a column highlighting the structure of deposits as at end-December 2022 excluding Odea Bank:

Breakdown of Customers' Deposits by Segment

	Dec-22		Dec-22 Excl. Odea		Dec-23		Change Dec-23/Dec-22 Excl Odea	
(USD Million)	Volume	Share in %	Volume	Share in %	Volume	Share in %	Volume	Share in %
Deposits from customers and related parties	19,381	100.0%	16,738	100.0%	13,033	100.0%	-3,705	
Corporate & SME Banking	2,701	13.9%	2,012	12.0%	1,300	10.0%	-712	-2.0%
Retail, Personal & Public Banking	16,680	86.1%	14,726	88.0%	11,733	90.0%	-2,993	2.0%

In 2023, the decrease of consolidated customers' deposits excluding Odea Bank is skewed in absolute terms towards Retail & Personal Banking deposits. The latter decreased by USD 3.0 billion during the year, from USD 14.7 billion as at end-December 2022 to USD 11.7 billion as at end-December 2023. Nonetheless, the share of those deposits in total consolidated customers' deposits increased from 88% as at end-December 2022 to 90% as at end-December 2023, following a slower contraction in relative terms than that achieved by Corporate & SME Banking deposits. The latter indeed contracted during 2023 by USD 712 million to stand at USD 1.3 billion as at end-December 2023 compared to USD 2.0 billion a year before. In parallel, the share of Corporate & SME Banking in total consolidated deposits decreased from 12.0% as at end-December 2022 to 10.0% as at end-December 2023.

ANALYSIS OF CUSTOMERS' DEPOSITS BY TYPE

The following table sets out the Bank's consolidated customers' deposits by type as at end-December 2023 and as at end-December 2022. We have included for comparison on equal basis, a column highlighting the structure of deposits as at end-December 2022 excluding Odea Bank:

Breakdown of Customers' Deposits by Type

	Dec-22		Dec-22 Excl. Odea		Dec-23		Change Dec-23/Dec-22 Excl Odea	
(USD Million)	Volume	Share in %	Volume	Share in %	Volume	Share in %	Volume	Share in %
Deposits from customers and related parties	**19,381**	**100.0%**	**16,738**	**100.0%**	**13,033**	**100.0%**	**-3,705**	
Sight deposits	10,246	52.9%	9,752	58.3%	7,645	58.7%	-2,107	0.4%
Time deposits	7,333	37.8%	6,422	38.4%	5,103	39.2%	-1,319	0.8%
Saving accounts	1,238	6.4%	0	0.0%	0	0.0%	0	0.0%
Margin deposits	47	0.2%	47	0.3%	42	0.3%	-5	0.0%
Others deposits	518	2.7%	517	3.1%	243	1.9%	-274	-1.2%

In 2023, the decrease in consolidated customers' deposits excluding Odea Bank by USD 3.7 billion reflects predominantly a decrease in sight deposits (including margin and other deposits) by USD 2.4 billion to be added to a decrease in time deposits (including saving accounts and certificates of deposit) by USD 1.3 billion. This evolution underscores on one hand the 90% devaluation of the Lebanese Pounds affecting all types of deposits denominated in local currencies alike while also reflecting the increase in time deposits across entities operating abroad as depositors are making opportunistic placement of their savings to benefit from the rise in the international reference rates.

Notwithstanding, sight deposits continue to account for the majority of total deposits as at end-December 2023 with a share of 60.8%, down from 61.6% as at end-December 2022. Consolidated sight and other short-term deposits excluding Odea Bank stood at USD 7.9 billion as at end-December 2023, compared to USD 10.3 billion as at end-December 2022.

On the other hand, time deposits stood at USD 5.1 billion as at end-December 2023, compared to USD 6.4 billion as at end-December 2022, representing 39.2% of total deposits as at end-December 2023 compared to 38.4% as at end-December 2022.

ANALYSIS OF CUSTOMERS' DEPOSITS BY MATURITY

The following table sets out the maturity profile of the Bank's consolidated customers' deposits as at end-December 2023 and as at end-December 2022. We have included for comparison on equal basis, a column highlighting the structure of deposits as at end-December 2023 excluding Odea Bank:

Breakdown of Deposits by Maturity

	Dec-22		Dec-22 Excl. Odea		Dec-23		Change Dec-23/Dec-22 Excl Odea	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total	Volume	Share in Total
Less than 1 month	16,123	83.2%	14,661	87.6%	11,834	90.8%	-2,827	3.2%
1-3 months	1,848	9.5%	729	4.4%	633	4.9%	-96	0.5%
3-12 months	1,212	6.3%	1,153	6.9%	493	3.8%	-660	-3.1%
Less than 1 year	**19,183**	**99.0%**	**16,543**	**98.8%**	**12,960**	**99.4%**	**-3,583**	**0.6%**
1-5 years	184	0.9%	180	1.1%	58	0.4%	-123	-0.6%
Over 5 years	14	0.1%	14	0.1%	16	0.1%	2	0.0%
More than 1 year	**198**	**1.0%**	**195**	**1.2%**	**73**	**0.6%**	**-121**	**-0.6%**
Total	19,381	100.0%	16,738	100.0%	13,033	100.0%	-3,705	

In 2023, the share of customers' deposits with maturities of less than one month in consolidated deposits increased by 3.2%, from 87.6% as at end-December 2022 to 90.8% as at end-December 2023, mirroring on one hand the large majority of sight deposits in the total in addition to the preference of customers to invest in 1 month deposit placements to benefit from the higher interest rate. Although consolidated customers' deposits have historically displayed behavioural stickiness across the past decades, whereby short-term deposits are typically rolled over following the expiry of their term, the informal capital controls in effect in Lebanon since October 2019 seriously hamper any outbound and even inbound outflows of deposits. At end-December 2023, 99.4% of consolidated customers' deposits had maturities of less than 1 year (compared to 98.8% as at end-December 2022), while the remaining 0.6% were predominantly deposits with maturities between 1-5 years.

ANALYSIS OF CUSTOMERS' DEPOSITS BY CURRENCY

The following table sets out the distribution of the Bank's customers' deposits by currency as at end-December 2023 as compared to end-December 2022.

Breakdown of Deposits by Currency

	Dec-22		Dec-22 Excl. Odea		Dec-23		Change Dec-23/Dec-22 Excl Odea	
(USD Million)	Volume	Share in %	Volume	Share in %	Volume	Share in %	Volume	Share in %
Lebanese Pound	3,605	18.6%	3,605	21.5%	470	3.6%	-3,135	-17.9%
US Dollars	12,172	62.8%	11,606	69.3%	11,174	85.7%	-432	16.4%
Euro	1,447	7.5%	1,243	7.4%	1,146	8.8%	-97	1.4%
Turkish Lira	1,669	8.6%	0	0.0%	0	0.0%	0	0.0%
Other currencies	488	2.5%	283	1.7%	242	1.9%	-41	0.2%
Total	**19,381**	**100.0%**	**16,738**	**100.0%**	**13,033**	**100.0%**	**-3,705**	

Owing to the adoption of the new official rate in Lebanon in February 2023, and the deconsolidation of Odea Bank, the structure of deposits by currency has materially changed. In fact, the share of deposits denominated in LBP in consolidated customers' deposits excluding Odea Bank dropped from 21.5% as at end-December 2022 to 3.6% as at end-December 2023, while there are no more deposits denominated in Turkish Lira. In parallel, the share of customers' deposits denominated in US Dollars in the total increased from 69.3% as at end-December 2022 to 85.7% as at end-December 2023, and continued to comprise the bulk of consolidated deposits. The share of deposits denominated in Euro in total deposits increased by 1.4% to stand at 8.8% of the total deposits as at end-December 2023 while remainder 1.9% is accounted for by other currencies.

SUBORDINATED DEBT

As at end-December 2023, post deconsolidation of Odea Bank, the Bank continued to have two unsecured subordinated loans of an aggregate amount of USD 271 million (including USD 5 million accruals), compared to an aggregate amount of USD 546 million as at end-December 2022. Below is a detailed description of those loans:

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

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

In light of the severity of the Crisis in Lebanon, the prevailing uncertainties and its effect on the Group's financial position retaining earnings and equity which the Group anticipates to be material leading to a need for recapitalisation, and hence the unavailability of distributable free profits, interest payments under this agreement have been deferred. This matter is under objection from the lender however the Bank believes it has a strong position. As at 31 December 2023, deferred interest payable amounted to USD 51.5 million and was recorded under "Other liabilities". Finally, given the delays in issuing the needed banking restructuring law as one of the measures in dealing with the existing and persisting crisis in Lebanon, and the fact that IFC's Subordinated Loan was maturing on April 11, 2024, Bank Audi communicated with BdL the urgency in determining how to handle IFC's maturing Subordinated Loan. On April 15, 2024 the BdL communicated to Bank Audi through a letter signed by H.E. the interim Governor of BdL, the decision taken by the Central Council of the BdL asking Bank Audi to suspend payment on the IFC Subordinated Loan till such time when a banking restructuring law is issued.

USD 116,560,000 Due 16 October 2023 – 6.75% (31 December 2022: USD 346,730,000)

In September 2013, the Bank issued USD 350 million of subordinated unsecured bonds. The repayment date for the bonds was 16 October 2023, subject to early redemption or acceleration. Earlier in 2022, the Bank proceeded to the conversion earlier of the USD 347 million subordinated debt maturing in 2023 into new unsecured subordinated notes under Lebanese law, the 2022 subordinated notes, that includes a put option at the discretion of the noteholder who may choose to redeem the note at 90.5% of the principal amount. As at 19 May 2022, holders of notes representing approximately USD 230 million had exercised the put option out of USD 347 million outstanding (66% of the total).

The Bank also had granted Odea Bank a subordinated debt as follows:

USD 276 Million Due 1 August 2027 – 7.625%

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

BRSA regulation. As of 31 December 2021, the total amount bought back amounted to USD 24 million. Odea Bank A.Ş. has not redeemed or cancelled the shares in circulation, thus selling back any portion of such amounts at any time is completely at Management's discretion. During 2023, the notes were transferred to assets held for sale amounting to LBP 4,280,670 million (Note 45)."

SHAREHOLDERS' EQUITY

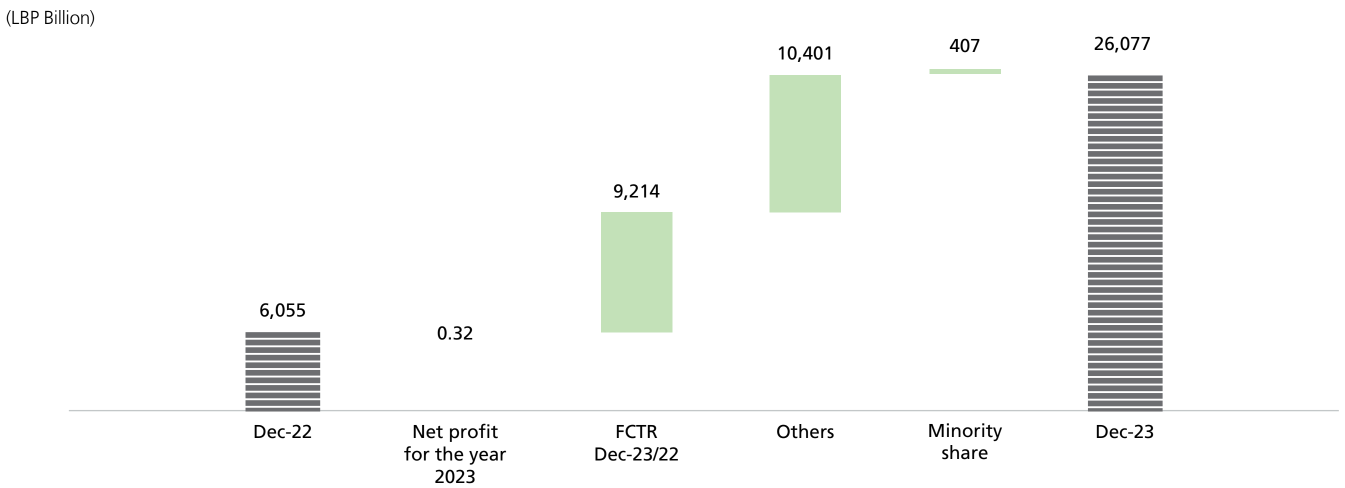
In 2023, consolidated shareholders' equity of Bank Audi moved from LBP 6,055 billion as at end-December 2022 to LBP 26,077 billion as at end-December 2023. This evolution reflects primarily the adoption by Lebanon, early February 2023, of the new official exchange rate, underscoring a devaluation by 90% relative to the old rate. This effect mirrors the impact of said devaluation of the LBP versus the USD on the Bank's long open position encompassing the net asset value of subsidiaries with functional foreign currencies and constituting a significant hedge to the Bank's capital (c. USD 766 million) totally offsetting the pervasive impact of the devaluation which 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. This evolution also mirrors the impact of the revaluation of Lands and Buildings from LBP 38,000/1 US Dollar as at end-December 2022 to LBP 89,500/1 US Dollar. Translated to USD at the official exchange rates prevailing those dates, consolidated shareholders equity would have moved from USD 4.0 billion as at end-December 2022 to USD 1.7 million, reflecting a drop by USD 2.3 billion.

During the year, 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 have implied a significant contraction in shareholders' equity following the reclassification of USD 184 million from equity to liability. This circular was subsequently suspended by Intermediary Circular 677, leading to the reclassification of USD 184 million from Other Liabilities into Equity.

At the core of the measures taken by Management early on the Crisis was the reinforcement of the Bank's long FX position in order to hedge the Bank's core equity. Based on BdL IC 683 setting new definitions for prevailing FX positions, the open FX position declared to BCCL is obtained by deducting FCY monetary liabilities from FCY monetary assets, to which off balance sheet position and net book value of FCY investments is added resulting in a long open position for Bank Audi. Within that scope, the declared trading position amounted to a short USD 28 million at end-December 2023. Going forward, the Bank would be implementing measures so as to reinforce its long FX position, providing a solid hedge to the Bank's core capital in case of further devaluation of the functional currency.

The chart below highlights the movement in shareholders' equity during the year 2023:

Evolution of Shareholders' Equity in 2023



In terms of equity structure as at end-December 2023, total shareholders' equity comprised LBP 1,885 billion of common equity group share, in addition to LBP 905 billion of preferred equity and LBP 737 billion of minority shares. The Bank's common share capital amounted to LBP 993 billion, the same level as at end-December 2022. The said share capital represented 588,538,215 common shares (BSE: AUDI) as at end-December 2022 and 2023, each with a nominal value of LBP 1,670 of which 119,639,761 were represented by Global Depositary Receipts listed on the Beirut Stock Exchange (BSE: AUSR).

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

CAPITAL ADEQUACY

During 2023, and despite the significant negative impact of the 90% devaluation of the LBP versus the US Dollar adopted in February 2023, the regulatory capital ratio of Bank Audi improved as at end-December 2023 relative to end-December 2022, an evolution mostly attributed to the continuous improvement of the Bank's FX position. In fact, strengthening the Bank's FX position before the devaluation rate of LBP 15,000 per 1 US Dollar occurring in February 2023 have had a positive impact on the Bank's CET1 level moving from 6.3% as at end-December 2022 to 8.46% as at end-December 2023, despite (i) the 90% devaluation of the LBP versus the US dollar, (ii) the booking of USD 166 million of ECL on the RoL Eurobonds, and (iii) the allocation of all net earnings before tax generated to provisions for risk and charges.

The latter improvement has also been driven by a change in the Banque du Liban framework relative to the computation of Lands and Buildings revaluation in full alignment with the BASEL Framework (from 50% to 75% to be included in CET1 along with gains from FX devaluation and the inclusion of OCI reserves in general).

The following table sets out the Bank's capital adequacy ratios as at end-December 2023 and end-December 2022:

Capital Adequacy Ratio

(USD Million)	Dec-22	Dec-23	Change Dec 23/22
Risk-weighted assets	23,908	16,337	**-7,570**
o.w. Credit risk	23,186	15,369	-7,817
o.w. Market risk	386	501	115
o.w. Operational risk	336	467	131
Tier 1 capital	2,118	1,439	-679
o.w. Common Tier 1	*1,512*	*1,379*	*-133*
Tier 2 capital	227	119	-107
Total regulatory capital	2,345	1,558	-787
Common Tier 1 ratio	6.33%	8.44%	2.11%
+ Additional Tier 1 ratio	2.53%	0.36%	-2.17%
= Tier 1 ratio	8.86%	8.80%	**-0.06%**
Tier 2 ratio	0.95%	0.73%	-0.22%
Total ratio	9.81%	**9.54%**	**-0.27%**
Minimum capital requirements(*)			
Common Tier 1 ratio	5.25%	**4.50%**	
+ Additional Tier 1 ratio	1.50%	1.50%	
= Tier 1 ratio	6.75%	**6.00%**	
Tier 2 ratio	2.00%	2.00%	
Total capital ratio	8.75%	**8.00%**	

(*) BdL allowed Banks to draw down on the capital conservation buffer in 2020-2021 and requested from them to rebuild it progressively. For 2023 and 2024, the forbearance treatment was reinstated waiving the CCB temporarily.

CET1 capital moved from USD 1,512 million as at end-December 2022 to stand at USD 1,379 million as at end-December 2023, translating in total Tier 1 capital of USD 1,439 million at the same date (compared to USD 2,118 million as at end-December 2022), as the non-monetary nature of preferred equity was affected by the 90% devaluation justifying the significant change in the contribution of additional tier one capital across those dates.

In parallel, consolidated Tier 2 capital decreased from USD 227 million as at end-December 2022 to USD 119 million as at end-December 2023. This decrease principally mirrors the customary time decay of both the USD 150 million subordinated subdebt subscribed for by the IFC and the Odea Bank subdebt. The above turns a total regulatory capital of USD 1,558 million as at end-December 2023, down from USD 2,345 million as at end-December 2022, registering a decrease by USD 787 million or 33.4%.

In parallel, consolidated risk-weighted assets decreased by 31.7% during the year 2023, from USD 23,908 million as at end-December 2022 to USD 16,337 million as at end- December 2023. Owing to a faster contraction of consolidated assets' level across those dates, the RWAs density remained almost the same level reaching 88% as at end-December 2023 compared to 88.8% as at end-December 2022.

As a result, CET1, Tier 1 and total capital adequacy ratio stood at 8.4%, 8.8% and 9.5% respectively as at end-December 2023, above the minimum regulatory levels applicable in 2023. Going forward, Management will endeavor to hedge as well its regulatory capital the same way it has achieved to do so at the level of core equity. This will only be possible through a complete matching of the capital needed in foreign currencies computed based on its level of risk weighted assets denominated in foreign currencies with the available capital in those currencies.

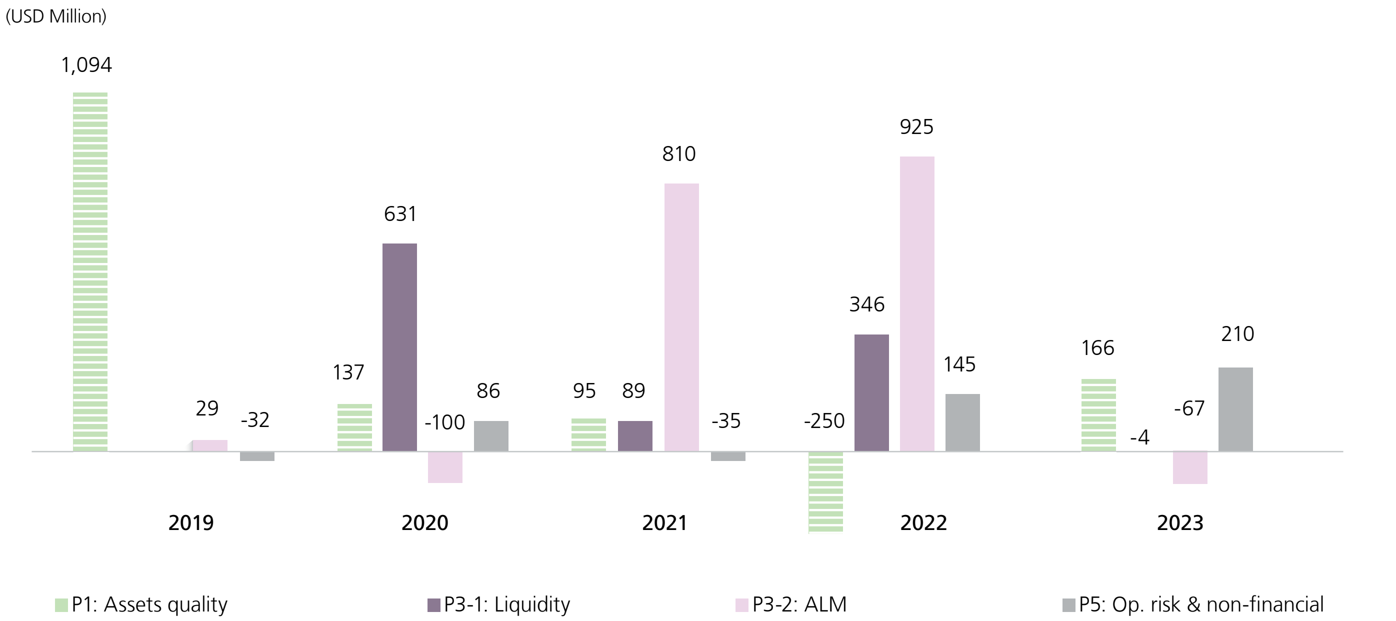
4.3. RESULTS OF OPERATIONS

Since the outset of the crisis in 2019, Bank Audi had fully allocated all operating surplus generated to cover one-off losses tied to the Crisis, while all recurrent profits were allocated to provisions and to cover exceptional losses. Management planned to continue with this direction until the dissipation of the prevailing uncertainties and the implementation of a resolution / reform plan. Subsequently, one-off flows including provisions allocation and exceptional expenses reached USD 1.1 billion in 2019, USD 754 million in 2020, USD 959 million in 2021 and USD 1.2 billion in 2022, aggregating USD 4.0 billion at the start of 2023. In 2023, and in line with this direction, Management devised to allocate all recurrent profits before tax (USD 305 million when translated at the compounded average exchange rate of LBP 13,875.63 per USD over 2023) to provisions for risk and charges, leaving a consolidated result for the year 2023 of zero profit compared to a loss of USD 435 million registered in 2022. Most of these amounts are closely related to the six going concern pillars adopted by the Bank, namely:

- Asset quality: in the form of provisions against mostly the lending portfolio and impairment against Lebanese sovereign debt instruments.
- Liquidity: representing markup transactions strengthening liquidity.
- ALM: mainly in the form of FX costs, principally to reduce the Bank's FX open short position. These operations' corollary strengthened capital adequacy.
- Operational and Non-financial risks: representing restructuring costs incurred group-wide, in addition to a one-off tax charge from the budget law.

The chart below displays a breakdown of the one-off's expenses incurred by the Bank over the 2019-2023 period broken down over the respective going concern pillars:

Breakdown of One-Offs Expenses over Selected Components of the Six Going-Concern Pillars



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

In the course of 2023, and given the significant requirement of Odea Bank for capital needs to sustain its growth at the current level amidst a continuing devaluation of the Turkish Lira, the Board of Directors resolved to divest of its investment in the Turkish subsidiary. In waiting for the completion of this transaction, the operation of Odea Bank, and in compliance with IFRS, is to be treated as a discontinued operation and accordingly its financials will no longer be reflected in the line-by-line structure of the published Income Statement, the same way it continues to be reflected as at end-December 2022. Rather, the net profits generated by this discontinued operation in the year 2023 were booked under "results from discontinued operations".

The table below sets out the evolution of the Bank's net normalised consolidated results in 2023 compared to 2022, while showcasing one-off flows tied to the Crisis and the results of discontinued operations. For a comparison on equal basis we resolved to restate the Income Statement for the year 2022, by booking all the results of Odea Bank under "results from discontinued operations" while the line by line structure will only show the results of the other continuing entities:

Summarised Normalised Consolidated Income Statement

(USD Million)	2022*	2023	Normalised YOY 2023/2022	
Interest income[1]	1,097	406	-691	-63.0%
Net of new taxes on financial investments	*-110*	*-28*	*82*	*-74.9%*
Non-interest income	257	145	-112	-43.6%
Total income	1,354	**551**	**-803**	**-59.3%**
Operating expenses	664	287	-377	-56.8%
Credit expense	0	14	14	-
Income tax	7	15	8	114.2%
Total expenses	671	317	**-354**	**-52.8%**
Net profits after tax (Normalised from continuing operations)	683	**234**	**-449**	**-65.7%**
Results of discontinued operations	49	71	22	47.1%
Net profits after discontinued operations	732	**306**	**-426**	**-58.1%**
+ Crisis-related one-offs	-1,167	-305	862	-73.4%
= Net profit (loss) after tax and one-offs	-435	0	**435**	**-100.0%**

** Restated excluding Odea Bank for comparative purposes*
[1] Includes interest revenues from financial assets at FVTPL.

The analysis that follows focuses on the flows leading to the normalised net profits from continuing operations, excluding the crisis related one-offs discussed above and net profits from discontinued operations. Please refer to the section 4.5 of this report for a detailed discussion on the performance of Odea Bank AS during this year.

In 2023, Bank Audi reported normalized net profits after tax, before one-off flows and the results of discontinued operations, of USD 234 million compared to USD 683 million in 2022. By geography, this result is broken down over chiefly a contribution of entities operating in Lebanon by USD 196 million amid a contribution of Private Banking entities by USD 21.3 million, Bank Audi France by USD 13.4 million, Bank Audi Qatar by USD 3.1 million. This is compared to a contribution of USD 658 million for Lebanese entities in 2022, USD 13.5 million for Private Banking entities, USD 9.1 million for Bank Audi France and USD 1.5 million for Bank Audi Qatar.

Subsequently, the contribution of entities operating outside Lebanon to the consolidated net profits before discontinued operations (on a normalised basis) continued to expand, despite the deconsolidation of Odea Bank, moving from USD 25.7 million in the year 2022 to USD 37.8 million in the year 2023, representing an increase by USD 12.1 million or 47%, driven mostly by the aforementioned outperformance of Banque Audi (Suisse) and Bank Audi France. In parallel, Lebanese operations reported a real decrease in the contribution to consolidated results by USD 461 million, stemming principally from a lower total income generation by USD 841 million following 1) the depletion of net income sources (in LBP mostly but also in USD) ,the comprehensive de-risking of the loan portfolio in Lebanon within a significant no reliance on income generated from the BdL or sovereign placement coupled with 2) the 90% devaluation of the LBP versus the USD following the adoption of the new Official exchange rate by Banque du Liban in February 2023. This was partially offset by the positive impact of said devaluation on the general operating expenses of entities operating in Lebanon, which is mostly accounted for in Lebanese Pound and reaching USD 209 million.

Based on the above, on a consolidated basis, the net decrease by USD 449 million represents henceforth a decrease in consolidated total income by USD 803 million during the year 2023 partially offset by a decrease in consolidated costs by USD 354 million. The decrease in total income is broken down over a decrease in consolidated net interest income by USD 691 million (net of taxes on financial instruments) amid a contraction of consolidated non-interest income by USD 112 million.

In what follows, we analyse the line-by-line flows of normalised profits in 2023 relative to 2022.

INTEREST INCOME

In 2023, consolidated net interest income net of taxes decreased by USD 691 million, moving from USD 1,097 million in 2022 to USD 406 million in 2023. By geography, the decrease in consolidated net interest income stems from entities operating in Lebanon registering a net interest income of USD 324 million in 2023 relative to USD 1,054 million in 2022. The latter decrease is driven by the effect of devaluation coupled with regulatory interest rates cuts on placements with the Central Bank of Lebanon denominated in foreign currencies, along with the continued effect of the deleveraging of the loan portfolio. In parallel, entities operating outside Lebanon, excluding Odea Bank, contributed to USD 82 million of net interest income in 2023, up from a contribution of USD 43 million in 2022, underscoring the impact of the prevailing high international interest rate environment.

Consequently, consolidated net spread was slashed by almost half year-on-year, from 4.25% in 2022 to 2.12% in 2023, mirroring a sharp decrease in the spread of Lebanese entities from 4.98% in 2022 to 2.28% in 2023.

NON-INTEREST INCOME

In parallel, normalised consolidated non-interest income contracted by USD 112 million, decreasing from USD 257 million in 2022 to USD 145 million in 2023, with the decrease entirely accounted for by entities operating in Lebanon reflecting the very limited transactional activity as well as the devaluation of the Official exchange rate, within a stable contribution from entities operating abroad across those dates. On the overall, this contraction stems from a drop in net commission income by USD 56.3 million across the period to be added to a decrease of gains from foreign exchange operation by USD 51.1 million, both registered at the level of entities operating in Lebanon.

Owing to an almost equivalent decrease in consolidated average assets than in normalized non-interest income, the ratio of non-interest income to average assets moved from 0.99% as at end-December 2022 to 0.76% as at end-December 2023.

COST OF CREDIT

In 2023, Management allocated consolidated credit cost of USD 14 million compared to a null allocation in 2022, amid a null allocation across both date at the level of entities operating in Lebanon. The latter is the result of Management's proactive measures taken at the outset of the Crisis in 2019 to maintain adequate cover for the various IFRS 9 stages (excluding the exposure to the Central Bank of Lebanon), within a complete de-risking of the loan portfolio of these entities. The 2023 allocation of USD 14 million is accounted for to the extent of USD 12.5 million by Bank Audi France and USD 1.6 million in Bank Audi (Qatar), both representing the main booking entities for lending for the Group.

TOTAL OPERATING EXPENSES

In 2023, the Bank's consolidated normalized total operating expenses excluding Odea Bank reached USD 287 million relative to USD 664 million in 2022, registering a decrease by USD 377 million. On the backdrop of an increase in general operating expenses of entities operating outside Lebanon from USD 67.1 million in 2022 to USD 78.6 million, reflecting in large part the prevailing inflationary pressures in the countries of presence, the contribution of Lebanese entities to the consolidated GOE dropped from USD 597 million in 2022 to USD 209 million in 2023. The latter evolution reflects 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 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 outlet, and the subsequent implicit exit of excess staff.

INCOME TAX

Consolidated income taxes from normalised continuing operations moved from USD 7 million in 2022 to USD 15 million in 2023, of which USD 7.1 million are contributed by entities operating outside Lebanon and USD 8.0 million at the level of Bank Audi Lebanon.

RESULTS FROM DISCONTINUED OPERATIONS

In the course of 2023, and given the significant requirement of Odea Bank for capital needs to sustain its growth at the current level amidst a continuing devaluation of the Turkish Lira, the Board of Directors resolved to divest of its investment in the Turkish subsidiary. In waiting for the completion of this transaction, the operation of Odea Bank, and in compliance with IFRS, is to be treated as a discontinued operation and accordingly its financials will no longer be reflected in the line-by-line structure of the Statement of Financial Position as at end-December 2023, the same way it continues to be reflected as at end-December 2022. Rather, its assets and liabilities are to be booked under "assets held for sale" and "liabilities held for sale" respectively (sub captions of "other assets and other liabilities" in the Summarized Statement of Financial Position below). In the Income Statement, the net profits generated by this discontinued operation in the years 2022 and 2023 were booked under "results from discontinued operations".

Subsequently, results from discontinued operations, or the net profits after tax and provision of Odea Bank, reached USD 71 million in 2023 compared to USD 49 million in 2022, reflecting a significant year-on-year growth driven by the high yield environment partially offset by the 37% devaluation of the Turkish Lira versus the US Dollar during the year negatively impacting the contribution to consolidated net profits.

COMPONENTS OF ROAA AND ROAE

The Bank's profitability ratios in 2023 continued as in 2022 to be distorted by the magnitude of the one-off flows. The analysis at consolidated level, excluding the one-off flows and discontinued operations, reveals that the return on average assets stood at 1.22% as at end-December 2023 compared to 2.64% as at end-December 2022. The table below sets the evolution of key performance indicators in 2023:

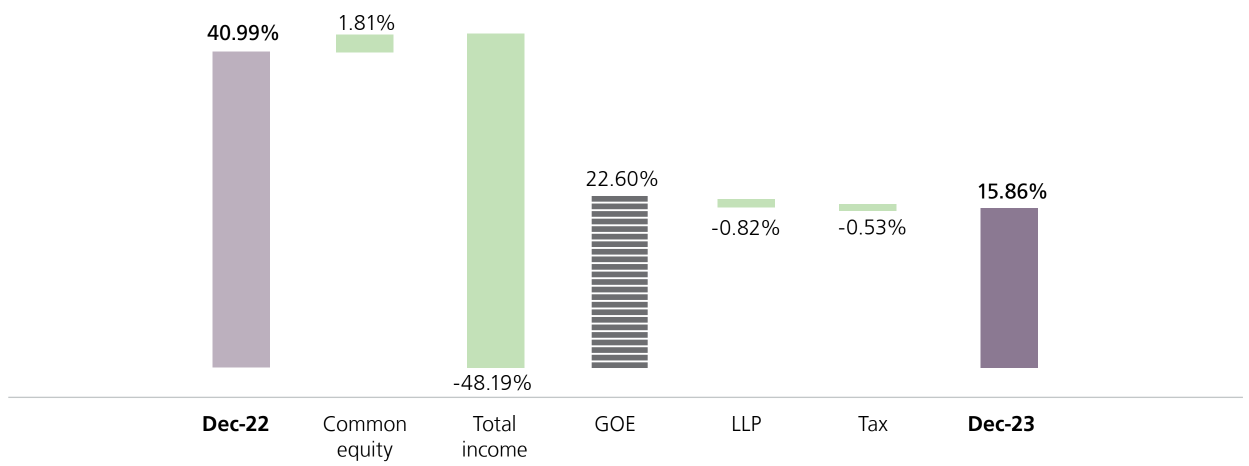
Key Performance Metrics(*)

	2022[1]	2023	Change
Spread	**4.25%**	**2.12%**	**-2.13%**
+ Non-interest income/AA	0.99%	0.76%	-0.23%
= Asset utilisation	**5.24%**	**2.88%**	**-2.36%**
X Net operating margin	**50.46%**	**42.50%**	**-7.96%**
o.w. Cost to income	*49.02%*	*52.13%*	*3.11%*
o.w. Provisons	*0.03%*	*2.57%*	*2.54%*
o.w. Tax cost	*0.49%*	*2.79%*	*2.3%*
= ROAA	**2.64%**	**1.22%**	**-1.42%**
X Leverage	**11.40**	**11.63**	**0.23**
= ROAE	**30.14%**	**14.22%**	**-15.92%**
ROACE	**40.99%**	**15.86%**	**-25.13%**

(*) Based on Normalized Consolidated Income Statement excluding one off flows & discontinued Operations.
(1) Restated excluding OdeaBank for comparative purposes.

The chart below details the contribution of the various components to the movement in the return on average common equity ratio in 2023:

Evolution of ROACE in 2023



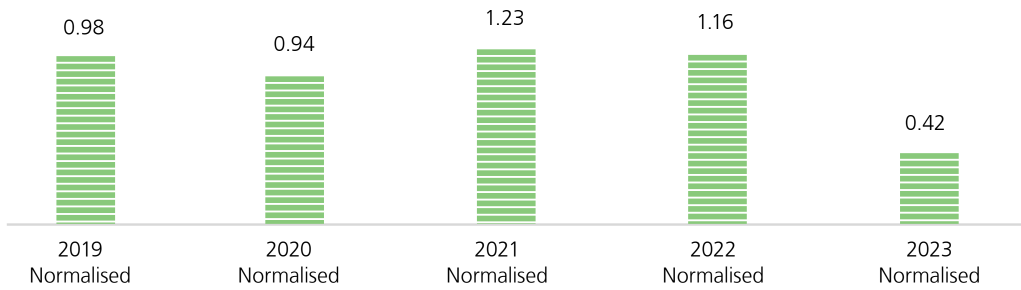
EARNINGS PER COMMON SHARE AND COMMON BOOK PER SHARE

"Basic earnings per common share" is calculated based on the weighted number of common shares in issue over the period and net profits after tax. For comparison on equal basis, we exclude from the calculation net profits from discontinued operations, as well as the exceptional flows since 2019 onward. Normalized basic earnings per share stood at USD 0.42 in 2023 compared to USD 1.16 in 2022. Taking into account the allocation of net profits generated in 2023 to provisions for risk and charges as stated in the published consolidated income statement, Bank Audi would report a zero basic earnings per share in 2023.

The chart below sets out the evolution of normalized basis earnings excluding discontinued operations since 2019:

Earnings per Common Share Growth

(USD)



The table below sets out the common book per share as at end-December 2023 as compared to end-December 2022:

Equity Metrics

(USD Million)	Dec-22	Dec-23	Change	Percent
Shareholders' equity	4,017	1,738	-2,279	-56.7%
- Minority shares	64	49	-15	-23.5%
= Shareholders' equity group share	3,953	1,689	-2,264	-57.3%
- Preferred stock (including dividends)	600	60	-540	-90.0%
= Common shareholders' equity	3,353	1,629	-1,724	-51.4%
Weighted average of outstanding shares (net of Treasury stock)	587,206	587,366	160	0.0%
Common book per share (USD)	5.71	2.77	-2.94	-51.4%
Share price at end-December (USD)	1.54	2.35	0.81	52.6%
P/Common book	0.27	0.85	0.58	214.2%

The common book per share decreased from USD 5.71 as at end-December 2022 to USD 2.77 as at end-December 2023, mirroring the registered contraction in common equity when translated to USD (please refer to the section "Shareholders' Equity" section for further details).

4.4 RESULTS ACROSS MAIN ENTITIES

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

The table below sets out the contribution of each of those entities as at end-December 2023 as compared to end-December 2022:

	Dec-22		Dec-23		Change Dec-23/22	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	%
ASSETS						
Lebanese Entities	21,719	80.7%	14,113	76.0%	-7,606	-35.0%
Turkey	3,684	13.7%	2,836	15.3%	-848	-23.0%
Private Banking Entities	1,583	5.9%	1,235	6.7%	-348	-22.0%
Bank Audi France	1,090	4.0%	1,266	6.8%	176	16.2%
Other Entities	153	0.6%	143	0.8%	-10	-6.8%
Consolidation Adjustments	-1,303	-4.8%	-1,027	-5.6%	276	-21.2%
Total	26,926	100.0%	18,566	100.0%	-8,359	-31.0%
DEPOSITS						
Lebanese Entities	14,590	75.3%	11,139	85.5%	-3,451	-23.7%
Turkey	2,644	13.6%	0	0.0%	-2,644	-100.0%
Private Banking Entities	1,175	6.1%	771	5.9%	-404	-34.4%
Bank Audi France	965	5.0%	1,098	8.4%	133	13.8%
Other Entities	82	0.4%	75	0.6%	-7	-8.2%
Consolidation Adjustments	-75	-0.4%	-50	-0.4%	25	-33.3%
Total	19,381	100.1%	13,033	100.0%	-6,348	-32.8%
LOANS						
Lebanese Entities	1,493	37.9%	228	21.7%	-1,265	-84.7%
Turkey	1,501	38.1%	0	0.0%	-1,501	-100.0%
Private Banking Entities	460	11.7%	369	35.2%	-91	-19.8%
Bank Audi France	388	9.8%	359	34.2%	-29	-7.4%
Other Entities	95	2.4%	93	8.9%	-2	-2.3%
Total	3,937	100.0%	1,049	100.0%	-2,888	-73.3%
Net earnings	FY-2022		FY-2023		Change FY23/FY22	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	%
Lebanese Entities	-485	111.5%	-85		400	-82.5%
Private Banking Entities	16	-3.7%	-1		-17	-106.3%
Bank Audi France	9	-2.1%	13		4	44.4%
Other Entities	-24	5.5%	2		26	-108.3%
Entities held for sale	49	-11.3%	71		22	44.9%
Total	-435	100.0%	0		435	-100.0%
Normalised net earnings	FY-2022		FY-2023		Change FY23/FY22	
(USD Million)	Volume	Share in Total	Volume	Share in Total	Volume	%
Lebanese Entities	658	89.9%	146	64.1%	-462	-70.2%
Private Banking Entities	13	1.8%	21	6.9%	8	61.5%
Bank Audi France	9	1.2%	13	4.3%	4	44.4%
Other Entities	3	0.4%	5	1.6%	2	66.7%
Entities held for sale	49	6.7%	71	23.2%	22	44.9%
Total	732	100.0%	306	100%	-426	-58.3%

What follows is a brief discussion of the overall trends across main constituents of the Group:

4.4.1. Lebanese Entities

Total assets of entities operating in Lebanon (excluding consolidation adjustments) decreased by USD 7.6 billion in 2023, a change driven mostly by the 90% devaluation in February 2023 of the Official exchange rate of the Lebanese Pounds to the USD, impacting the assets of these entities denominated in LBP within a registered contraction by USD 0.5 billion of assets denominated in foreign currencies, underscoring a further derisking of the loan portfolio in Lebanon.

Along the same lines, customers' deposits of Lebanese entities registered a decrease by USD 3.5 billion during the year, broken down over a decrease by USD 3.1 billion in deposits denominated in LBP, and a decrease in deposits denominated in FCY by USD 0.3 billion.

In parallel, the deleveraging of the loan portfolio continues. Loans to customers decreased in 2023 by USD 1.3 billion, of which a decrease by USD 1.1 billion of loans denominated in LBP mainly due to the devaluation of the official exchange rate in addition to a decrease in net loans denominated in foreign currencies by USD 0.2 billion.

At end-December 2023, the total net loan portfolio of Lebanese entities stood at USD 228 million, of which USD 62 million denominated in LBP (post translation at the Official exchange rate of 15,000 for 1 US Dollar) and a mere USD 166 million of loans denominated in USD. By type, the decrease is due to the settlement of credit impaired loans by USD 184 million of commercial loans and USD 62 million of retail loans. Credit impaired loans represented 64.2% of gross loans as at end-December 2023, with a coverage of 78.6% compared to 73.5% as at end-December 2022, despite the release of USD 164 million of allowances for ECL Stage 3 during the year.

Outstanding LCs and LGs stood at USD 265 million as at end-December 2023 compared to USD 194 million as at end-December 2022, with the increase mainly attributed to outstanding letters of credit, increasing by USD 109 million during the year. Outstanding letters of credit amounted to USD 124 million as at end-December 2023, while outstanding letters of guarantees stood to stand at USD 140 million as at end-December 2023.

(USD Million)	Dec-22	Dec-23	Change Dec-23/Dec-22
Balance sheet data			
Assets	21,719	14,113	-7,606
Deposits	14,590	11,139	-3,451
Loans	1,493	228	-1,265
Equity	4,292	1,909	-2,383
Outstanding LCs + LGs	194	265	71
Earnings data	2022	2023	Change
Net interest income	1,027	300	-727
+ Non interest income	-981	198	1,179
Total income	46	497	451
General operating expenses	737	408	-329
= Operating profits	-691	89	780
Loan loss provision charge	-209	166	375
- Income tax	4	8	4
Net profits (loss)	-485	-85	400
Spread	4.9%	2.1%	-2.8%
ROAA	-2.3%	-0.6%	1.7%
Normalised earnings data	2022	2023	Change
Net interest income	1054	324	-730
+ Non interest income	200	89	-111
Total income	1,254	413	-841
General operating expenses	597	209	-388
= Operating profits	657	205	-45
Loan loss provision charge	-1	0	1
- Income tax	1	8	9
Net profits	658	196	-462
Spread	5.0%	2.3%	-2.7%
ROAA	3.1%	1.4%	-1.7%

Based on the applicable average official rates over the years 2022 and 2023, Lebanese entities would have reported a loss (before discontinued operations) of USD 85 million in 2023 compared to a loss of USD 485 million in 2022. Adjusted to the one-off flows and cost tied to the Lebanese Crisis, Lebanese entities would have achieved normalised profits of USD 196 million in 2023 compared to USD 658 million in 2022.

The large differential between the actual net results and the normalised one in 2023 is mainly explained by the decision of Management to allocate all recurrent profits to provisions for risk and charges until the dissipation of the uncertainties prevailing in the Lebanese banking sector. Over and above the latter, the differential in 2022 also stems from the FX losses incurred by the Bank to reduce its FX open short position.

4.4.2. Private Banking Entities

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

The following analysis covers the performance of Private Banking entities in 2023 as compared to 2022:

(USD Million)	Dec-22	Dec-23	Change in Volume	Change in %
Balance sheet data				
On-Balance Sheet Assets	1,535	1,182	-353	-23.0%
Total Client Assets	5,598	5,808	210	3.8%
o.w. AuMs (Off-Balance Sheet)	3,376	3,869	493	14.6%
o.w. Deposits (On-Balance Sheet)	1,169	756	-413	-35.4%
o.w. Fiduciary Deposits (Off-Balance sheet)	1,053	1,184	131	12.4%
Client Loans	460	369	-91	-19.8%
Equity	305	331	26	8.5%
Earnings data	2022	2023	2023 Normalized	Change 2023 Norm./2022
Total income	25.8	69.7	80.5	54.7
Net profits	15.6	-1.3	21.3	5.7
Spread (on AA +AAuMs)	0.3%	0.6%	0.6%	0.3%
ROAA+AAuMs	0.2%	0.0%	0.3%	0.1%
ROACE	5.3%	-0.4%	6.7%	1.4%

Clients' assets (comprising of clients' deposits as well as off-balance sheet AuMs including AuMs, fiduciary deposits and custody accounts) at Bank Audi Private Bank increased by USD 210 million in 2023, from USD 5.6 billion as at end-December 2022 to USD 5.8 billion at end-December 2023, with the increase reflecting principally the stabilization of the Private Banking business during the latter half of 2023, which was achieved despite the continuing impact of the Lebanese Crisis. At the level of P&L, Private Banking entities on a normalized basis reported an increase of USD 5.7 million in net profits, from USD 15.6 million in 2022 to USD 21.3 million in 2023. Such normalization adjustments in 2023 related to non-recurring exceptional items which were not part of continuing business activities.

4.4.3. Bank Audi France

Bank Audi France was established on 7 May 1979 as a French joint stock company with the objective of performing general banking operations. Today, Bank Audi France operates principally as a commercial bank, with deposits sourced mainly from non-French residents and loans funding Middle-Eastern entrepreneurs operating mainly in Sub Sahara Africa and the Middle East. Additionally, the Bank is engaged in granting housing loans to non-French residents. It enjoys a diversified customer base on the individual and corporate fronts with over 3,300 clients.

In 2023, assets of Bank Audi France increased by USD 176 million, from USD 1.1 billion as at end-December 2022 to USD 1.3 billion as at end-December 2023. In parallel, customer's deposits of Bank Audi France rose by USD 133 Million to USD 1,098 million as at end- December 2023.

The Bank's main product lines are current accounts and time deposits, credit cards, housing loans, foreign exchange, trade finance, cash management and working capital loans.

(USD Million)	Dec-22	Dec-23	Change
Balance sheet data			
Assets	1,090	1,266	176
Deposits	965	1,098	133
Loans	388	359	-29
Equity	101	119	18
Outstanding LCs + LGs	45	54	9
Earnings data	2022	2023	Change
Total income	27.9	48.8	20.9
Net profits	9.1	13.4	4.3
ROAA	0.8%	1.2%	0.4%
ROAE	9.7%	12.3%	2.6%

As at end-December 2023, net loans of Bank Audi France stood at USD 359 million, contracting by USD 29 million relative to end-December 2022, with borrowers preferring to reinvest a larger part of their profits in their businesses in view of the higher cost of money. In terms of loan quality, credit impaired loans (Stage 3 or non-performing loans) as at end-December 2023 are provisioned to the tune of 80% and amount to USD 22.5 million.

Bank Audi France reported net profits of USD 13.4 million in 2023 compared to USD 9.1 million, rising by USD 4.3 million, despite the allocation of USD 12.5 million of provisions.

4.4.4. Odea Bank

In the course of 2023, and given the significant requirement of Odea Bank for capital needs to sustain its growth at the current level amidst a continuing devaluation of the Turkish Lira, the Board of Directors resolved to divest of its investment in the Turkish subsidiary. In waiting for the completion of this transaction, the operation of Odea Bank, and in compliance with IFRS, is to be treated as a discontinued operation and accordingly its financials will no longer be reflected in the line-by-line structure of the Statement of Financial Position as at end-December 2023, the same way it continues to be reflected as at end-December 2022. Rather, its assets and liabilities are to be booked under "assets held for sale" and "liabilities held for sale" respectively (sub captions of "other assets and other liabilities" in the Summarized Statement of Financial Position below). In the Income Statement, the net profits generated by this discontinued operation in the years 2022 and 2023 were booked under "results from discontinued operations".

Notwithstanding the above, Management of Odea Bank continued in 2023 its normal activity and operation irrespective of the sale process. Main priority was focused on adapting to the current policies as quickly as possible while continuing to closely monitor the sensitive operational developments of the Turkish market, in particular in light of the prevailing heightened pricing volatility in terms of inflation and interest rate hike amid some quantitative tightening and selective credit decisions by the regulatory authorities to support the monetary tightening process. Within this context, the Turkish entity achieved good results in 2023, 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 14.7 billion to stand at TRY 83.6 billion as at end-December 2023, driven by an increase in customers' deposits by TRY 8.9 billion to stand at TRY 58.3 billion. Loans to customers increased by TRY 3.5 billion to TRY 31.6 billion. These evolutions reflect predominantly the FX translation impact of the devaluation of the Turkish Lira versus the US Dollar from 18.7 at end-December 2022 to 29.5 at end-December 2023 (-37%) amid a real contraction in assets by 3%, deposits by 2% and in loans by 10%.

(TRY Million)	Dec-22	Dec-23	Change
Balance sheet data			
Assets	68,904	83,604	14,700
Deposits	49,441	58,342	8,901
Loans	28,061	31,566	3,505
Equity	5,041	6,111	1,070
Outstanding LCs + LGs	9,642	12,289	2,647
Earnings data	**2022**	**2023**	**Change**
Total income	3,322.1	4,275.6	953.6
Net profits	853.2	1,710.2	857.0
Spread	4.7%	2.5%	-2.2%
ROAA	1.4%	2.3%	0.9%
ROACE	18.7%	31.3%	12.6%

At the loan quality level, the ratio of stage 3 to gross loans strengthened further reaching 4.56% as at end-December 2023 compared to 4.95% as at end-December 2022. In parallel, coverage of those loans by specific provisions increased to 63.3%, from 49.8% as at end-December 2022. Odea Bank posted net profits TRY 1.7 billion in 2023 compared to TRY 853 million in 2022. This outperformance is mainly driven by higher trading income on mark-to market transactions and gains on CPI-linked papers. As a result, the Bank's return on average assets ratio moved from 1.4% in 2022 to 2.3% in 2023, translating into an ROACE of 31.3% at the same date.

4.5. PRINCIPAL BUSINESS ACTIVITIES

4.5.1. Commercial and Corporate Banking

In 2023, global markets faced further challenges exacerbated by the conflict in Gaza, which added to the ongoing turmoil stemming from geopolitical tensions and economic uncertainties. The war in Gaza intensified concerns about regional stability, leading to increased volatility in both regional and global markets. This instability further fueled inflationary pressures, exacerbated energy concerns, and exacerbated supply chain disruptions. Additionally, the conflict prompted geopolitical shifts and heightened investor apprehension, impacting investment decisions and market sentiments worldwide.

In this turbulent environment, Bank Audi continued its proactive approach to navigate extreme market volatility across its markets of operations while factoring in frequent and wide-ranging regulatory developments. The main objectives of the Bank have been to support clients' business continuity while ensuring adequate portfolio quality.

During 2023, and on the backdrop of the Bank's overall de-risking strategy, net consolidated lending by Corporate and Commercial Banking decreased from USD 2.08 billion as at end-December 2022 (2022 restated to exclude Odea Bank loan portfolio which stood at $1.5bn as at year end 2022) to USD 1.06 billion as at end-December 2023, largely due to the deleveraging in Lebanon and the Lebanese Lira depreciation which impacted the size of the loan portfolio in Lebanon.

LEBANESE OPERATIONS

In 2023, the Lebanese economy continued to grapple with significant challenges stemming from unresolved multiple crises it has faced. Four years since the onset of these crises, the Lebanese government struggled to implement structural reforms demanded by international donors and lending institutions, exacerbating the economic downturn. Political gridlock and a lack of consensus further impeded efforts to address the deep-rooted issues plaguing the economy. Despite these hurdles, the private sector demonstrated resilience and signs of growth, with imports of goods to the country returning to pre-crisis levels and a positive balance of payments recorded in 2023 for the first time in years. However, the conflict in Gaza and instability in southern Lebanon halted the slight growth that the private sector was experiencing, particularly impacting the tourism sector.

Despite the challenges faced by the Lebanese banking sector, Bank Audi has strived to (1) provide banking support to its Corporate and Commercial Banking clients to ensure business continuity, and (2) proactively deleverage the corporate and commercial portfolio in line with the contraction of the Lebanese economy while ensuring proper portfolio quality.

The Bank supported its corporate and commercial clients' daily operational and financing needs through select lending from its foreign entities and by offering essential services like foreign exchange, trade finance, and cash management to aid businesses in managing their local and international transactions and financial operations efficiently.

In light of the financial, political and economic challenges, the Bank adopted a de-risking policy which resulted in a significant drop of the Lebanese corporate and commercial loan portfolio. Total net loans to corporate and commercial clients dropped from USD 1.1 billion as at end-December 2022, to USD 200 million as at end-December 2023 driven mainly by the depreciation of the local currency and a continued deleveraging and provisioning strategy.

FOREIGN ENTITIES

Bank Audi France sa

The corporate and commercial net loan portfolio at Bank Audi France stood at USD 359 million as at end-December 2023 compared to USD 388 million as at end-December 2022. Bank Audi France supports the Group's corporate clients in their international ventures by providing selective loans and credit facilities to a diverse range of projects and businesses that offer favorable risk-return profiles.

Odea Bank SA – Turkey

As at end-December 2023, the corporate and commercial net loan portfolio of Odea Bank, expressed in US Dollars, reached USD 1.06 billion, down by 29% when compared to USD 1.49 billion as at end-December 2022. This decrease is largely due to the settlement of loans denominated in foreign currencies and the impact of the depreciation of the Turkish Lira which shed 37% of its value over the year 2023. The latter has obviously impacted the counter value in dollars of the loan portfolio in local currency.

4.5.2. Retail Banking

The evolving landscape of global banking has spurred banks to reassess their overall strategies, particularly within its Retail Banking Segment. In an era of digital disruption and changing consumer expectations, banks recognize that the key to sustainable success lies in offering personalized, affordable, convenient and seamless banking experiences. Banks worldwide are augmenting their digital capabilities to meet their evolving customer needs and adapt to shifting market dynamics. They are assessing their traditional business models and prioritizing digital transformation.

In Lebanon, the banking sector has faced significant challenges in recent years, affecting the industry as a whole. Amidst this turmoil, Bank Audi Lebanon has prioritized a strategy focused on readiness and resilience, highlighting the importance of adaptation and innovation. The Bank remain steadfast in its commitment to providing banking solutions that meet evolving customer needs, promoting financial inclusion, reducing reliance on cash, and enhancing customer service across all touchpoints. Central to this strategy is a robust commitment to digitization, empowering delivery of convenient and cost-effective banking solutions tailored to customer needs and market dynamics. These efforts underscore the Bank's commitment to continuity and customer satisfaction.

Bank Audi sal – (Lebanon) (BASAL)

Throughout 2023, the Bank maintained a conservative approach, prioritizing Transactional Banking by offering full list of banking transaction services for both individuals and businesses.

Today, Bank Audi's business model evolution places a strong emphasis on customer centricity & operations efficiency, exemplified by its distinctive Personal Banking Service and innovative Digital Banking Service.

The Bank worked internally on optimizing its operations. It streamlined traditional branches and reduced the number from 83 pre-crisis to 46 while maintaining strategic presence by ensuring full coverage in Lebanon. Additionally, the Bank continued to maintain and expand its largest ATM network to ensure convenient access to cashpoints for all clients. This reflects the Bank's commitment to adapting its operational size to align with evolving market needs and ensure efficient service delivery.

Furthermore, it tailored branch products for commercial and corporate clients, focusing on delivering the best quality services, while catering to individuals requiring personalized services.

The Bank also launched one of the biggest digital initiatives, offering the right product and channel to the right customer, through "neo" the digital bank by Bank Audi. The Bank is actively transitioning toward providing end-to-end Digital Banking services, offering individuals, professionals and small traders greater convenience and embedding services that are fully digital to enhance cost effectiveness and profitability.

In 2023, the development of the Neo Bank Solution commenced, achieving significant milestones in various project phases. During this period, the Bank smoothly transitioned a large number of clients from different traditional branches to a virtual branch on the Bank Existing core, referred to as the "neo branch."

This marks the first phase in preparing for the subsequent migration to neo, where these clients will be the first to gain access to the new Neo Bank app in 2024. The Bank has also established a dedicated call center team and back-office team exclusively serving neo clients.

The Neo Bank's product offerings will be introduced in phased rollouts, with the initial phase focusing on a robust and straightforward set of features designed to appeal to a broad range of clients. Subsequent phases will introduce advanced features catering to specific profiles such as premium and traveler clients, as well as tailored features for businesses. Phase I product offering include digital account opening, dual currency bank account in LBP & USD, enhanced card services, seamless funding and payments, global transactions, salary and cash facilities, 24/7 customer support and many other convenience features.

Against the backdrop of a challenging operating environment, Bank Audi persists in refining its operations, increasing efficiency, controlling costs, fortifying security measures and ultimately enhancing customer experience. The Bank maintained a full diligence and commitment by delivering all circulars issued by the central bank touching on banking services.

Bank Audi closely monitored collection, asset quality and enhancement while diligently adhering to BdL circulars addressing the Lebanese economic and banking sector crisis.

Translated in USD, consolidated retail loans at BASAL decreased from USD 362 million at end-December 2022 to USD 29 million at end-December 2023. The contraction is mainly driven by the continued deleveraging of the retail portfolio of BASAL in Lebanon.

The breakdown by products as at end-December 2023 showed that credit cards constituted 35% of the consolidated retail loan portfolio, followed by housing loans backed by mortgages with 32%, personal loans with 27% and car loans with 3%, in addition to 3% of small/multipurpose loans.

The ratio of credit-impaired retail loans to gross retail loans increased to 64.12% as at end-December 2023, from 29.7% the previous year. 96.9% of credit-impaired retail loans are covered by ECL allowances for Stage 3 loans (excluding collaterals), while the credit loss allowance for Stages 1 and 2 retail loans amounted to USD 3 million as at December 2023.

RETAIL BUSINESS AND PRODUCTS:

Over the past four years and since the onset of the financial crisis, and despite regional political challenges, the Retail banking has thrived through strategic adaptation, resulting in notable growth in both customer base and Net Interest Income (NII).

In order to outperform and improve the delivery of our products and services, we are continuously adapting and improving our offering to cope with targeted customer expectations, competitors' moves and bank objectives.

Throughout 2023, BASAL continued to streamline its Bill Payment service and strengthen its position in the market. And today, the Bank is attracting new customers from various industries.

RETAIL CREDIT AND DEBIT CARDS:

The cards business continued to demonstrate strong growth, reflecting our commitment to providing flexible financial solutions to our customers. In this context in 2022 BASAL signed an exclusivity deal with Mastercard to offer our customers credit and debit cards with more exclusive benefits tailored for all customer segments including affluent and high net worth. BASAL launched two new World Elite cards dedicated to international travelers the World elite Euro and GBP.

Furthermore, following the banks exclusivity deal with MasterCard and the continuation of cards migration from Visa to Mastercard, in 2023 the Bank embarked on a marketing campaign to increase awareness about our new cards and increase card usage and spending.

Odea Bank SA – Turkey

As of the end of 2023, Retail Banking, operating across Türkiye with its experienced staff, continues to develop structures that will provide the best service in deposit and investment products at every point of contact with customers by improving its service and activity processes.

Odeabank's main goal is to provide customers with products and services that are tailored to their needs and establish long-lasting relationships based on trust. In line with this goal, the Bank increased the total number of active customers approximately 1.5 times in 2023.

In accordance with its customer focused approach, Retail Banking expanded its product portfolio offered with the aim to provide added value to the investments of its customers and continued its claims in this regard also in 2023. The products and services offered in line with the goal of meeting the expectations of customers led to positive results obtained in the general satisfaction index measurements of the customers.

In line with the ability to respond to changing needs of different customers, Retail Banking serves under the Affluent Banking segment for customers with assets above a certain size. The Bank aims to offer boutique services that will meet the non-financial expectations of customers as well as their financial needs through Affluent Banking services. A wide range of alternatives supports customers in feeling privileged, including products and services such as dedicated RMs, rich investment product alternatives, free of charge EFT and money transfers through digital channels, upto monthly 5 times free money withdrawal from all domestic ATMs, discounted safe deposit boxes, and the "Ayrıcalıklı" Card, designed specifically for this segment.

The Bank also serves customers under the umbrella of Odeabank Private Banking, combining its expertise in investment and deposit products with its superior service approach.

In line with customers' expectations and risk perceptions, it provides unique features and privileges to make their lives easier and meet their financial needs with expense commission privileges, discounted safe deposit box service, and the Odeabank Private Card, which is specially designed for this segment, while planning their financial assets with the most suitable products and expert customer relationship managers. Customers with Odeabank Private Card have unique travel opportunities and personalized assistance & concierge experiences.

As a pioneer of the sector, taking the remote account opening process, launched in 2015, one step further, Odeabank Retail Banking continues to offer "a phygital banking experience" under the umbrella of remote portfolio management for the last four years, combining its experienced financial consultancy service with Digital Banking.

Odeabank's communications aimed at raising awareness of its motto "You Are at the Center of Investment" and investment-oriented products/services in digital channels gained momentum. It became one of the leading banks in the sector with its personalized financial consultancy services offered to its customers, advantageous product options tailored to digital acquisition channels, and free money transfer-EFT privileges via digital channels. In addition to sponsorships in channels where targeted customers can be reached, especially deposit comparison websites, and purchases made in performance-based communication channels, Odea reached a wide audience in terms of awareness and customer acquisition through collaborations with Türkiye's leading brands.

Odeabank has shown a successful growth trajectory by increasing the number of active customers, who were gained from digital channels and want to benefit from phygital banking services, 5.5-fold.

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

INVESTMENT PRODUCTS

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

Investment and Treasury Products Odeabank's customer-focused investment management approach has been designed to help customers achieve their goals of protecting and increasing their savings. This approach includes the following key elements:

- **Customer analysis:** Efforts are made to gain an in-depth understanding of customers' risk and return expectations.
- Risk management: Investment strategies are developed in line with customers' risk profiles.
- **Investment opportunities:** Customers are provided with the most diverse and innovative investment opportunities on the market.
- **Investment management:** An experienced and specialized team carefully manages investments of customers on behalf of them.
- **Investment strategy:** The most appropriate investment strategy is being created for customers through a planned process independent of possible risks.

Customers are individually offered the ideal products, services, and consultancy support by highly specialized and experienced branch personnel. In addition, existing investment products are adapted to the digital world through mobile developments and innovative product approaches. In this respect, the following projects were realized this year:

- **Platinum/Palladium transactions on the Odea application:** Customers are able to easily track and manage their platinum/palladium investments from their mobile devices.
- **AI-powered investment management Rob'O application:** By leveraging the power of artificial intelligence, customers are provided with more personalized and efficient investment services that are tailored to their risk and return expectations.
- **Fund instruction infrastructure:** An infrastructure has been created to enable customers to perform fund transactions at any time.
- **Fund campaign infrastructure:** The Bank's user acquisition processes were accelerated by creating a new campaign infrastructure.
- **New funds:** A total of 27 new funds were added to the application.
- **Borsa Istanbul transactions:** With BIST located within the Odea application, users have been brought together with stocks traded on Borsa Istanbul.
- **New Fund collaboration:** A special Foreign Currency fund was established with Yapı Kredi Portföy for Odeabank customers.

These projects took Odeabank one step further in offering customers a better investment experience and becoming an innovative, trend creating brand. The volume of non-deposit investment products thus increased 1.5 times. Total fund volume increased by 216% compared to the end of 2022. Thus, fund market share in the sector reached 1.7% level and among private banks in Türkiye, Odeabank's market share rank reached to 8th from 11th at the end of 2023. Accordingly, Odeabank initiated new projects to maintain its leadership in investment management and to offer more value-added products to its customers.

DEPOSIT PRODUCTS

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

In 2023, Oksijen Account on-demand limits were updated according to balance breakdowns, and interest rates for customers in the continuation period were revised according to balance breakdowns. Total AUM volume increased by 48% compared to year-end 2022.

While entering its 9th year, Oksijen Account, which greatly increased the Bank's deposit volume and played a significant role in customer acquisition and loyalty, continued its successful chart in 2023 as well. Through the Earn as You Spend campaign, customers' expenses of a total of TL 5,000 and more made with Odeabank credit or debit cards in the present month are charged to the Oksijen Accounts as plus interest rate for the coming month.

The Bank continued to offer FX-protected deposit products to its customers in 2023 and also offered products with advantageous TL deposit interest rates to customers who wished to exit from these products at the end of their maturities.

In order to support deposit volume and customer acquisition, TL time deposit campaigns were offered to newly acquired customers through both branches and digital channels. Retail Banking, which prioritizes customer satisfaction, will continue to offer the right product to the right customer at the right time at a fair price also in 2024, to develop new products in line with the expectations and needs of customers, to improve customers' banking experience, and to make its resources available for a sustainable relationship with all existing and potential customers.

It aims to respond even more effectively to the current and potential needs of customers through digital platforms and processes, in line with the sector and the world.

DEBIT AND CREDIT CARDS

In credit card products, Retail Banking offers customers financial conveniences and solutions that meet their expectations and needs and ensures easy and fast access to these solutions. It aims to take a more prominent place in the wallets of upper segment customers with its segment specific credit cards.

In 2023, the customers have continued to receive the best service through campaigns and experi-ence improvements prepared according to their needs. In 2024, efforts are underway to launch new innovative card products in line with changing customer needs and customer segments.

CONSUMER LOANS

Odeabank has started digital consumer lending program in 2023, in order to meet lending needs of its affluent and private banking segment customers. In the first step of the program Odeabank will be able to assign pre-approved general purpose loan limits to its customers via digital channels. Credit life insurance product will be integrated to consumer lending products in 2024, as second step.

Additionally, in 2023, Odeabank relaunched its secured consumer lending product for those customers who want to meet their cash needs through lending while keeping their savings in their current investment products in the variable market conditions.

INSURANCE AND PRIVATE PENSION

Product and service development activities in the field of bank insurance continue in such a way that customers can fulfill their needs more quickly and easily through many channels. Activities in the field of bank insurance are continued with AXA Sigorta A.Ş., MetLife Emeklilik ve Hayat A.Ş., HDI Sigorta A.Ş., Doğa Sigorta, and Viennalife Hayat A.Ş.

Odeabank began offering online private pension plans to support consumers in achieving their future retirement goals. The Bank continues to work on new products and new channels within the scope of Bancassurance.

CUSTOMER EXPERIENCE AND DESIGN

Odeabank Customer Experience and Design Unit stands out as the unit that aims to increase customer satisfaction. Focusing on the processes of collecting and analyzing customer feedback, this unit strives to increase customer engagement by identifying strategies based on customer insights and offering tailored customer journeys and innovative services.

At the same time, it has the mission of driving a customer-focused culture transformation within the Odeabank organization and adopting user-focused design principles.

The Customer Experience and Design Unit works with a team specialized in experience and interface design, content writing, and customer experience. The Odea application, which was renewed in 2023, received international design awards, namely the A'Design Bronze award and the Red Dot Design award. Aiming for continuous improvement by utilizing user tests and research while developing the experiences in the application is a part of the unit's strategic approach.

The unit is also working on redesigning the website and ATM platforms to ensure a common design language across all channels. Meanwhile, the unit carried out projects such as Private Customer Value Proposition studies and updating the screens of portfolio managers in cooperation with different departments. Odeabank Customer Experience and Design Unit's strategic approach operates as a model that serves all teams and aims to increase customer satisfaction.

DIGITAL MARKETING

Odeabank Digital Marketing Unit manages the activities of determining, monitoring and improving digital metrics and targets across the Bank. It continues its planned works in order to achieve targets with internal and external stakeholders.

ADVANCED ANALYTICS CENTER OF EXCELLENCE

The Advanced Analytics Unit, which started operating within the Bank for the first time during the year, is positioned under retail banking and provides services to the entire Bank as part of the CoE organizational structure. The Advanced Analytics Unit is responsible for generating AI (artificial intelligence) based solutions the Bank needs through existing and potential data sources. It focuses on customer satisfaction in its efforts aiming to increase investment returns in line with effective deposit pricing and customers' risk expectations.

RETAIL BANKING CRM

The Unit manages the centralized delivery of marketing and communication activities within retail banking to customers. In coordination with the retail banking product and segment teams, this team also carries out campaign notifications for the relevant products and customer groups. The Unit carries out marketing automation infrastructure change and screen enhancements projects aimed at enabling branch and remote customer representatives to manage their customers more effectively.

DIGITAL SERVICES

Odeabank Digital Services continues its activities to offer uninterrupted, simple, personalized and integrated experience to its customers through digital contact points (mobile, internet branch, ATM) in line with the strategies and business purposes of the bank. The Unit aims to develop, extend these channels and increase their efficiency.

In 2023, Odeabank renewed its image with innovative and investment-oriented mobile application and internet banking that adapt to the digital age. In 2023, nearly 200 thousand Odeabank customers used digital contact points. As a result of these transactions and in comparison to the previous year, the mobile transaction volume increased nearly 101%. In addition, the Odeabank mobile application has been downloaded more than 220 thousand times.

In August 2023, the Rob'O product, the first of its kind among banking applications in Türkiye, was made available to customers. Rob'O, which prepares fund portfolios for customers among selected funds traded on TEFAS, performs all market monitoring with artificial intelligence technology.

Designed as the education and content platform in Odeabank's new mobile application, Akademi'O provides customers with content that increases their financial literacy level. This platform includes training videos and articles, podcast series and newsletters in many different categories.

"Investment News" has been added to the Odea application to enable customers to follow developments in the market. There is also a "Special News" section for private customers. In addition, with the Economic Calendar feature, important developments in the markets are conveyed on a daily basis, and important events can be added to their own calendars.

Monitoring the trends and developments in technology, the Digital Services Team provides solutions to help customers perform transactions faster and more easily.

Thus Odeabank, which achieved an increase in efficiency, aims to continue its customer satisfaction-oriented efforts in 2024 by making many innovations with the technological investments it made in order to create effective channels and provide the best digital customer experience.

Odeabank enables its customers to perform their banking transactions through 70 established ATMs throughout Türkiye. Using the power of its technological infrastructure, the Bank continues to develop security measures against various card cloning attacks at ATMs. In 2023, transaction volume at ATMs increased by 22% compared to the previous year.

With an application launched in 2023, all customers were able to withdraw/ deposit money and make balance inquiries five times a month free of charge from all other bank ATMs in Türkiye.

Experience improvement and development projects continued during 2023 at Odeabank ATMs, which fully meet the expectations of its customers.

The new flow developed for creating or updating passwords allows users to complete their transactions in a practical way by using the NFC technology in their new ID cards.

A collaboration was initiated with Dataroid, a company that tracks and analyzes the footprints of users in the application, evaluates screen and usage times, and interacts directly with users through different notification activities. This collaboration enables improvements and developments to be made in the user experience by accurately analyzing data.

4.5.3. Private Banking

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

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

Bank Audi Private Bank entities have consolidated on balance sheet assets and assets under management (comprising of assets under management, fiduciary deposits and custody accounts) reaching USD 6.3 billion at end-December 2023. In Switzerland, Banque Audi (Suisse) SA represents the main Private Banking arm of the Group, with over USD 4.3 billion in AuMs. In Saudi Arabia, Audi Capital (KSA) serves as the Group's main Private Banking hub for GCC markets, with AuMs of USD 0.7 billion.

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

4.5.4. Treasury and Capital Markets

The year 2023 saw a slight improvement in Lebanon's capital markets within the context of the quasi stability in the Lebanese Pound after four years of noticeable depreciation, though the country is far from getting out of the pervasive crisis it fell into since October 2019.

At the Foreign Exchange Market level, the stability in the USD/LBP parallel market rate during the second half of the year mainly reflects a rising dollarization in the economy, and the new BdL policy refraining from financing the government, especially in foreign currencies and preserving what remains from the FX reserves at the Central Bank. Within this context, the Central Bank of Lebanon's liquid foreign reserve assets expanded by circa USD 750 million since end-July 2023 until end-December 2023.

At the money market level, the year 2023 saw a contraction in the money in circulation of about 27% or the equivalent of LBP 22 trillion, moving from LBP 80 trillion at end-December 2022 to LBP 58 trillion at end-December 2023. Paradoxically, this was accompanied by a decline in the cost of LBP cash over the year 2023, moving from 13.0% at end-2022 to 1.0% at year-end, noting that it has peaked at 20% in February 2023.

At the Stock Market level, the Beirut Stock Exchange continued to register price gains for the third year in a row, amid continuous hedging activity against multifaceted crisis and soaring inflation and amid investor tendency to avoid haircuts on their financial placements, noting that equity prices are denominated in domestic US dollars. This was reflected by a 41% surge in the BSE price index, following increases of 37% in 2022 and 48% in 2021, driven by the increase in Solidere prices.

At the Bond Market level, Lebanese Eurobond prices remained at their lows in 2023, closing the year at 6.00 cents per US dollar. This took place while the country remained mired in political and institutional vacuum, and amid IMF's warning that a lack of domestic political will to launch urgently needed reforms would weigh on the Lebanese economy for years to come, in addition to concerns that the unprecedented military conflict between Israel and Hamas could spiral out of control in the region.

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

5.0. EARNINGS ALLOCATION

From 1996 and until 2018, the Board of Directors of the Bank has recommended the distribution to holders of common shares of a dividend payment of at least 30% of after-tax profits in each year.

With the outset of the financial crisis in 2019, the Central Bank set limits on banks' own equity dilution within the perspective of a forthcoming restructuring plan requiring significant contribution from the shareholders' base. Consequently, it issued two circulars impacting the Bank's dividend distribution policy: in November 2019, BdL Intermediary Circular 532 restricted banks operating in Lebanon from distributing dividends from 2019 profits while Intermediary Circulars 616 and 659 extended the restrictions to annual periods covering years 2020 to 2022. Pursuant to those circulars, the Board of Directors recommended to the Ordinary General Assembly in its April 2020 meeting not to distribute common and preferred dividends on the 2019 exercise. Board of Directors held in years 2021 to 2023 issued similar recommendations in line with the aforementioned circulars.

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

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

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

6.0. RISK MANAGEMENT

During 2023, and in view of the continued challenges and uncertainties governing the economic and operating environments in Lebanon, the Group has primarily focused on:

1- Enhancing income generation in foreign currency through non-interest income (fees & commissions) as well as interest income by benefiting from higher global interest rates;

2- Closely managing non-financial risks and in particular litigation, operational, compliance and cyber security risks;

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

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

6.1. EVOLUTION OF THE GROUP'S RISK MANAGEMENT FRAMEWORK

COMPLIANCE WITH REGULATORY REQUIREMENTS

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

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

SCENARIO ANALYSES AND SIMULATIONS

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

Scenario analyses conducted cover simulations of devaluations of the Lebanese Pound and their corresponding potential impacts, in particular, on the Bank's capital adequacy ratios and operating revenues. Also, the Bank continues to simulate the impact of various BdL regulations and scenarios of potential government-led banking restructuring plans on its financial position.

Foreign entities continue to run sensitivity and scenario analyses on a regular basis, including in their periodic quarterly risk reports.

REMEDIAL MEASURES

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

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

In 2023, the Bank continued to implement measures aimed at strengthening its six pillars strategy, with a particular focus on enhancing the quality of its earnings both in Lebanon and abroad, as well as optimizing its cost structure. This emphasis on cost optimization will be further supported going forward by the introduction of the new digital banking platform designed to streamline customer usage and reduce operational costs. Management has also deployed considerable efforts to mitigate growing non-financial risks, specifically in relation to litigation, operational and compliance risks by strengthening internal controls.

CYBERSECURITY MANAGEMENT FRAMEWORK

The Bank continues to focus on strengthening its information and cyber security risk framework. This is in light of growing cyber threats worldwide. The Bank has been actively adopting best practices by streamlining the management of such risks through regular IT security and cyber security updates and assessments, which are periodically reviewed by Management through dedicated committees. Also, the Bank has been allocating a specific budget for cyber security since 2022 to keep its IT infrastructure up-to-date and therefore reduce the Bank's vulnerability to such threats. In preparation for the launch of the new digital banking platform, the Bank has undertaken a comprehensive security assessment covering various aspects of this platform to strengthen its robustness against any potential cyber security threats.

OVERSIGHT ON KEY MATERIAL ISSUES AND RISKS

In early 2023, the Bank established the Audit Findings Review Committee, a management level committee consisting of senior officers in the Bank. This Committee is dedicated to the prompt and effective resolution of recommendations and findings from internal and external auditors, the Banking Control Commission of Lebanon, and internal Regulatory Compliance function. This initiative helped to enhance the Bank's commitment to its overall risk oversight objectives and has complemented the work already covered by its array of other existing Management committees. Among these is the Information Security Committee (which addresses information and cyber security risks), Operational Risk Committee (which covers operational risk matters), and the IFRS 9 Impairment Committee (which monitors the credit asset quality and provision coverage adequacy across the Group). Further oversight of material risk issues is carried-out at the levels of the Executive Committee and ALCO.

6.2. PRIORITIES FOR 2024

From a risk perspective, priorities in 2024 will continue to focus on:

1- Preserving and enhancing international liquidity in Lebanon and maintaining robust liquidity levels in foreign entities;

2- Strengthening and diversifying earning capacity in Lebanon (especially in foreign currency) and abroad;

3- Ensuring that credit exposures resulting from any new lending activities in Lebanon and abroad remain of high quality.

4- Mitigating non-financial risks, particularly in relation to i) litigation risk, which is still growing in the absence of a formal capital control law in Lebanon, ii) compliance risk, iii) operational and cyber security risks, and iv) business continuity risk, by ensuring high operational resilience capacity.

6.3. CREDIT RISK

6.3.1. Corporate Credit Risk

During 2023, the Bank continued to deleverage its loan portfolio, particularly in Lebanon, and focused on increasing collection and dealing with delinquent loans. The Bank has also been working on establishing a new credit strategy that will allow limited new lending to various selective high-quality clients. This strategy stipulates very strict underwriting criteria and clear guidelines relating to associated legal and collateral enforceability risks.

As at 31 December 2023, the consolidated non-retail net loan portfolio (excluding Odeabank) contracted by 51% to USD 1.0 billion, from USD 2.1 billion reported as at 31 December 2022. This decrease was mainly driven by reduction in Bank Audi Lebanon's portfolio, which contracted from USD 1.1 billion to USD 0.2 billion over the same period following the official devaluation of the Lebanese Pound from 1507.5 to 15,000 per USD, as well as the continued deleveraging of the Lebanese loan portfolio.

6.3.2. Retail Credit Risk

The drop in the consolidated retail net loan portfolio reached 92% in 2023, with exposure decreasing from USD 362 million as at 31 December 2022 to USD 29 million as at 31 December 2023 when denominated in US Dollar. This followed the adoption in Lebanon of the new official exchange rate of LBP 15,000 per USD.

In response to the events of October 2019 in Lebanon, Management has proactively and diligently increased the provision coverage for the retail portfolio. As at December 31, 2023, Stage 3 provision coverages for the Lebanese retail portfolio stood at ~100% for all products excluding housing loans and ~97% after including housing loans. The Group has no other real retail exposure outside Lebanon.

6.3.3. Private Banking

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

6.3.4. IFRS9 Impairment

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

During 2023, the Group increased the allocation of provision on Republic of Lebanon Eurobond exposures so that their net book values fully reflect their underlying market values in international dollar, hence exceeding the minimum regulatory provision coverage level of 75% required by 2026.

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

6.4. ALM AND LIQUIDITY RISK MANAGEMENT

6.4.1 Liquidity Risk

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

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

The Group also took several measures to ring-fence the Bank's foreign subsidiaries from the spillover effects of the Lebanese crisis by heavily restricting inter-group funding.

The Group also performs liquidity stress tests as part of its liquidity risk monitoring and assessment processes. The purpose of these tests is to ensure that sufficient liquidity buffers are maintained to deal with any likely future stressed conditions.

6.4.2. Interest Rate Risk

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

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

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

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

These measurements are calculated under both the regulatory and internally-applied economic approaches.

In 2023, the Group concentrated its efforts on enhancing its international dollar-based interest and commission earnings. The interest income, including contributions from the Group's overseas subsidiaries, benefited from the relatively high global interest rates. However, these earnings could face volatility due to potential declines in global interest rates, which might affect future interest revenue streams.

6.4.3. Market Risk

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

The Bank maintains a very low appetite to market risk be it from changes in interest rates, equity prices and foreign exchange rates.

In Lebanon, the significant devaluation of the LBP on the parallel market presented a number of impediments for the Bank to manage effectively its market risk position stemming from FX risk. The Lebanese crisis post October 2019 exerted significant pressure on the Bank's FX open position due to major market disruptions on local conversions between LBP and USD and other operations, compounded by the existence of multiple exchange rates. Consequently, the Bank has undertaken substantial measures to mitigate its exposure to FX risk. These efforts have successfully led to a significant build-up of a positive FX open position, providing a hedge against the negative impact of any further potential devaluation of the Lebanese Pound on the Bank's financial position.

In February 2024, BdL issued Basic Circular 167 requiring banks to value specific assets and liabilities based on the exchange rate quoted on the electronic platform, which effectively mirrors the prevailing market rate. This is applicable to financial statements starting January 31, 2024.
This step is expected to enhance the quality of reporting by removing some of the uncertainties associated with the impact of multiple exchange rates on the financial statements.

The Bank continuously runs FX stress tests simulating further significant devaluations of the LBP (beyond the one quoted on the electronic platform) to assess their impact on the Bank's profitability and solvency metrics. The results of these tests are reported to Senior Management and the Board of Directors on a regular basis.

6.5. NON-FINANCIAL RISKS

6.5.1. Operational Risk

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

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

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

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

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

6.5.2. Information Security Risk and Business Continuity

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

6.5.3. Information Security

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

6.5.4. Cyber Resilience

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

6.5.5. Business Continuity

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

Additionally, a Business Continuity Plan (BCP) was developed and implemented to counteract interruptions to critical business activities and ensure their timely resumption. This plan identifies, among other things, business continuity teams and their roles, calling trees, emergency procedures, vital records and assembly points. The BCP is updated annually or upon major changes. Rehearsals are conducted yearly, or as needed, to evaluate the effectiveness of the Bank's Business Continuity readiness. The Bank regularly updates evacuation procedures for its headquarters, and ensures that the fire and emergency systems are maintained and tested periodically.

7.0. DEPLOYED RESOURCES

7.1. INFORMATION TECHNOLOGY

After four long years of an unprecedented economic and financial crisis, and despite the fact that the country is still far from seeing the end of the tunnel, the situation in Lebanon started to stabilize in 2023. And with this relative stability, Bank Audi once again showed steadfastness and unwavering belief in Lebanon's future. The Bank's management continued to make strategic decisions, always devising projects and initiatives towards providing its customers with the most innovative and state-of-the-art solutions.

One such initiative was the launching in 2023 of its NEO digital bank, with heavy involvement of InfoStructure sal - a subsidiary fully owned by the Bank Audi group, and its IT services provider.
InfoStructure continued to ensure full compliance of the Bank's operations with all the Central Bank of Lebanon's circulars and regulatory requirements through the enhancement and maintenance of related compliance solutions.

In addition, InfoStructure diligently worked to sustain the availability and security of its services and to maintain its infrastructure and platforms. In that perspective, it implemented in 2023 cutting-edge technologies and solutions to enhance the Bank's security posture, and more specifically in cybersecurity matters, especially with the all-time high risks of cyber-attacks nowadays.

Moreover, InfoStructure started in 2023 the design and planning phase of one of the Bank's strategic initiatives, namely moving certain bank applications to the cloud. Such a move was decided by the Bank's management in order to capitalize on the benefits that cloud computing can offer in terms of service excellence and availability, enhancing users' experience, alleviating technical management tasks, all while ensuring integrity and security of the Bank's data assets. The implementation is expected to start during 2024.

Furthermore, in alignment with the Bank's strategic initiative of operational optimization and cost reduction, Infostructure worked on rationalizing certain business applications, and on reducing spending on licenses and infrastructure.

Infostructure also continued in 2023 to offer its usual technical and advisory assistance to Bank Audi's entities whenever requested.

7.2. HUMAN RESOURCES DEVELOPMENT

In the midst of Lebanon's lasting financial turmoil, which has now exceeded three years, the year 2023 was marked by significant uncertainty and ongoing political deadlock. Within this environment, the development of resources, rebuilding trust and engagement emerged as a critical focal point for HR. The lack of a plan for recovery resulted in skyrocketing inflation rates placing Lebanon with the highest challenges faced by both businesses and individuals. Addressing issues such as brain drain, regulatory hurdles and the adverse effects of the Lebanese Lira devaluation on employees' financial wellbeing became central.

Despite these obstacles, the Bank acknowledged the importance of progress while adapting to the country's changing circumstances. HR proactively applied a dollar-based salary scale adjustment to mitigate financial burdens. The Bank also supported three monetary interventions in order to alleviate some of the financial pressure posed by Inflation.

Similar to 2022, the Bank aimed to uphold educational equity by maintaining access to the same educational standards for employees' children. The Bank bolstered schooling tuition fees by tripling schooling allowances in 2023. This initiative addressed the rising cost of education and provided substantial coverage of the full tuition fees. Moreover, the Bank continued to offer education sponsorship partially supporting employees in their higher education. Such efforts were instrumental in providing essential support, reflecting the Bank's dedication to fostering a supportive and inclusive work environment.
HR crisis management approach centered on protecting employees' welfare posed by Inflation.

The Bank continued to support employees and their immediate family members for required medication and hospitalization. Moreover, in collaboration with concerned internal stakeholders, HR closely monitored the insurance plan and explored offers to ensure better services at lower costs. The Bank doubled its coverage for social cases, employee households with critical social and financial needs were assisted through targeted support.

Further initiatives went beyond the financial aspect, in a bid to foster a healthy work-life balance, HR re-opened the gym in its head office premise, organized a Walkathon, a youth week dedicated to employees' children. This internal initiative offered trainings in technical and soft skills along with a day of service for underprivileged citizens.

In an effort to streamline operational costs and maximize efficiency across the Bank, HR, in collaboration with concerned internal stakeholders, implemented a talent redistribution plan to reallocate employees to vacant positions within the head office optimizing talent distribution.

Concurrently, the shift of transactional banking operations to the Bank's digital platforms will further aim at enhancing efficiency in alignment with the Bank's ongoing digital transformation.

To note that Talent Retention within the banking sector continues to be a significant challenge for HR, necessitating targeted interventions. HR was diligently acknowledging this major challenge in the ongoing strategic digital transformation journey of the Bank, by closely monitoring and covering talent loss in key technical functions.

In the midst of the crisis and the challenges our bank faced, including resignations, our commitment to succession planning has proven to be paramount. Despite all hurdles, we have maintained continuity and stability within our organization, thanks to our robust succession planning efforts and the exceptional quality of our talent pool.

Succession planning is a cornerstone of our HR strategy, reflecting our proactive approach to talent management. Through rigorous talent identification, development, and mentorship programs, we have cultivated a pipeline of high-potential individuals ready to step into key roles when needed.

Our ability to seamlessly fill vacant positions internally underscores the effectiveness of our succession planning initiatives. By prioritizing talent development and nurturing a culture of growth and opportunity, we not only mitigate the risks associated with unexpected leadership changes but also foster employee engagement, loyalty, and long-term commitment.

As we continue to navigate challenges and pursue our strategic objectives, succession planning remains a top priority for HR. We are dedicated to continually refining and enhancing our processes to ensure that we have the right talent in place to drive our organization forward.

Furthermore, in 2024, our focus also remains centered on enhancing engagement, motivation, and employee benefits. Recognizing the paramount importance of organizational culture, particularly in the aftermath of rightsizing and digital transformation, HR is dedicated to revitalize the Bank's culture among employees. This entails a renewed focus on employee engagement and motivation, with the introduction of cross-departmental and branch-wide team-building and training activities. These initiatives will be designed to boost morale, and nurture a supportive work environment conducive to employee's well-being. HR commitment to employee benefits remains unwavering; this entails enhanced education sponsorships and insurance plans, working on enhanced compensation schemes and Talent retention plans.

By prioritizing these initiatives, we aim to rebuild trust, foster loyalty, and cultivate a vibrant and resilient workforce poised for success.

Odea Bank

Odea Bank's Human Resources department upholds fair evaluation, equal opportunity, and transparency as foundational principles, recognizing human capital as the institution's most valuable asset. The department operates with accessibility and a solution-oriented approach, actively monitoring business unit objectives, providing constructive feedback to senior management, and offering consultative guidance to address areas for improvement.

In 2022, the Bank focused on recruiting candidates who are adaptable to change, possessing optimal levels of educational attainment and relevant experience for their respective roles. Emphasizing internal talent development, Odea Bank prioritized filling its human resource needs from within the organization, facilitating career advancement opportunities and reinforcing the Bank's corporate culture.

Building on this approach in 2023, Odea Bank continued its commitment to recruiting forward-thinking candidates with the requisite educational and experiential background for their roles. The bank remains dedicated to nurturing its existing talent pool, fostering career growth, and strengthening its corporate culture. Career opportunities are communicated internally to all employees, with vacancies filled based on competency assessments and objective criteria.

Recognizing the importance of attracting young talents, Odea Bank introduced new initiatives such as the "Nova Internship Program," "Young Talent," "Young Talent in Sales," and "IT Young Talent". Such programs aim to attract recent graduates eager to embark on a banking career, leveraging their potential and academic qualifications. Candidates demonstrating high motivation, dynamism, innovation, and results orientation, as evidenced through aptitude tests, English proficiency assessments, and interviews, are offered opportunities to commence their careers within Odea Bank.

In alignment with its commitment to enhancing the candidate experience, Odea Bank implemented a digital onboarding process, streamlining recruitment and orientation to expedite employee integration into the organization. The onboarding experience, designed to reflect the Odea Bank employer brand, was refined based on survey research and executive feedback, transitioning to a digital platform system. Newly hired employees, supported by their assigned managers and designated 'buddies' responsible for their adaptation process, undergo structured onboarding activities and periodic experience evaluations to ensure a seamless integration into their roles.

In alignment with the principle that "our most valuable asset is our people," Odeabank's HR practices remained steadfast in supporting business units in line with the Bank's overarching goals and policies. Initiatives were implemented to foster cross-functional synergy, enhancing collaboration across business units, while internal communication activities were orchestrated to promote employees' mental and physical wellbeing. To fortify communication channels with employees, scheduled branch visits and departmental meetings were organized, providing a platform for employees to share feedback, ideas, and recommendations. In October 2023, the "Employee Loyalty Survey" was conducted to enhance the employee experience and bolster loyalty, aiming to demonstrate Odeabank's current strengths and pinpoint areas requiring attention to enhance organizational effectiveness. Building on the values introduced in 2022 as part of the new employer brand, ongoing activities in 2023 sought to embed these values into Odeabank's culture and sustain the "Odealist" concept. A highlight of this effort was the "Odealist Value Awards" contest, recognizing colleagues who embody Odeabank's values and selecting them as cultural ambassadors. Additionally, a culture document detailing Odeabank's values and corresponding expected behaviors was disseminated to all employees, guiding internal and external communication initiatives and aligning in-Bank seminars with the Bank values.

The culture document, which was created by defining the meanings of Odeabank values in everyday working life, as well as the corresponding behaviors expected of employees, was shared with all employees in the form of a handbook. All communication activities carried out within and outside the Bank began to be carried out with these values and the concept of "Odealist" in mind, and in-Bank seminars were positioned so that they relate to Bank Values.

In 2021, Odeabank initiated its Agile Transformation to enhance adaptability to evolving market conditions and foster flexible and efficient work practices. The Digital Tribe served as the inaugural agile unit to pilot this transformative approach. Subsequently, in 2023, two additional agile units, namely the Product and Segment Tribes, were established within Retail Banking. Currently, 12 agile teams comprising 185 employees operate across these units, utilizing agile methodologies. To augment the proficiency of agile roles and facilitate effective agile transformation, Role-based development programs were launched in May 2023.

In October 2023, the Agile Transformation Office (ATO) was established under the purview of the Assistant General Manager of Human Resources to spearhead agile transformation efforts. ATO started its activities by preparing a roadmap to promote agility, undertaking various initiatives, including:

- Agile 101 training for commercial banking
- Gamified agile workshops
- 2023 Agile performance evaluation for retail banking & digital tribes
- OKR reviews for 2023 were held for (N-1) and Tribes
- 2024 (N-1) OKR Setting sesssion
- 2024 OKRs were created for agile areas and ATO
- Health Checks of the all tribes were completed, actions were figured out and started to implement to support tribes
- Community of Practises (CoP) was established for Scrum Master and Product Owner roles
- 2024 Agile performance evaluation system was reviewed and updated

Moving forward, ATO will extend its support to non-agile areas by instilling agile values, enhancing communication activities, and addressing new tribe requirements.

Recognizing its employees as pivotal to its success, Odeabank employs an employee- and value-centric, equitable reward system to maintain high motivation levels and foster value creation. In 2023, remuneration activities were executed considering average industry wages by position grade, annual performance results, internal dynamics, and annual budgets.

Aligned with Odeabank's agile learning strategy, both technical and non-technical competencies of employees were assessed and refined through tailored training solutions encompassing both physical and digital platforms. In 2023, while Odeabank continued to offer a diverse range of technical and soft skill training, emphasis was placed on data literacy programs for branch and head office employees across managerial and non-managerial levels.

To promote continuous learning and multidisciplinary perspectives, a webinar series was launched, covering topics such as economics, data, agile culture, psychology, wellbeing, parentship, culture, and arts, hosting speakers across various domains in 22 live webinar sessions. Additionally, in 2023, a mentoring program was introduced for branch employees, further enriching Odeabank's culture of learning through diverse developmental methodologies

8.0. COMPLIANCE

In 2023, the Bank faced ongoing challenges affecting the compliance landscape, including: (i) a persistent and severe local financial, economic, and political crisis; (ii) heightened international geopolitical developments culminating in the last quarter of the year with escalating regional tensions and conflicts; and (iii) an increase in global sanctions impacting our markets and their neighboring regions. Despite these pressures, the Bank steadfastly maintained its high standards of compliance with all applicable rules and practices.

In parallel with the foregoing, the Middle East and North Africa Financial Action Task Force (MENAFATF) published, in December 2023, its Mutual Evaluation Report on Lebanon. This report acknowledged the robust understanding among banks of Money Laundering (ML) and Terrorism Financing (TF) issues, specifically in the areas of Customer Due Diligence and the Risk-Based Approach. Concurrently, it recommended certain prioritized actions for other sectors, including unregulated financial sectors and certain designated non-financial businesses and professions (DNFBPs). It also highlighted concerns regarding senior-level government corruption within the public sector. Our bank has carefully reviewed the findings of this report and prioritizes adherence to the recommendations of both the FATF and its regional counterparts. This commitment is fundamental to preserving our bank's credibility and upholding stringent compliance standards.

Internally, the Compliance Function has proactively adapted the Bank's compliance framework to reflect ongoing developments, particularly focusing on enhancing strategic Anti-Money Laundering (AML)-related objectives. Significant updates were also implemented to cater for emerging risks associated with our newly established digital banking platform.

In line with the MENAFATF findings and regulatory guidance, our Bank has also intensified its anti-bribery and corruption measures. This included the implementation of more stringent internal controls and the introduction of regular and ongoing controls designed to detect and prevent corruption. Training programs have also been significantly expanded, aiming to equip all employees with the knowledge and tools necessary to identify and combat Money Laundering and Corruption, fostering an organizational culture of integrity and transparency.

Throughout the year, the Compliance team has maintained its close collaboration with Senior Management, supported by the Board of Directors through its Compliance Committee, and reinforced with the necessary resources. As we move forward, our focus remains on sustaining a highly effective approach to compliance, keeping pace with evolving risks and regulatory changes. Our key activities for the year included:

1. Regularly updating policies, programs, and processes to stay aligned with market and regulatory requirements, effectively mitigating risks and preventing financial crimes;
2. Enhancing our Enterprise-Wide Program to comprehensively manage compliance risks;
3. Deepening a compliance culture across the bank through continuous education and awareness initiatives for all staff, not just those within the compliance function;
4. Actively monitoring the international sanctions landscape and adapting controls for the bank and its subsidiaries accordingly;
5. Consistently informing the Board of Directors, Group Executive Committee, and Senior Management about ongoing compliance developments and challenges;
6. Promptly reporting any identified suspicious activities;
7. Assisting business lines in navigating the complex regulatory environment;
8. Collaborating with Risk and Internal Audit functions to fortify the control framework;
9. Fostering transparent and collaborative relationships with our international correspondent banking network.

As we build on the successes and lessons of 2023, our agenda for 2024 is structured around five foundational pillars of Compliance excellence: diligence, partnership, quality, evaluation, and cooperation. These pillars will guide our efforts to further enhance our compliance processes, deepen our evaluation culture, and leverage data analytics for more insightful, data-driven decision-making. We are dedicated to fostering a robust compliance culture both within the Bank and across our subsidiaries, continually building staff capacities, swiftly addressing new challenges, and safeguarding our relationships with international banking counterparts.

9.0. CORPORATE SOCIAL RESPONSIBILITY

Bank Audi sal (BASAL)

In the midst of persistent economic challenges in Lebanon, Bank Audi sal remains steadfast in upholding core values, centred on civic responsibility and its impact on both, our community and the environment.

Underlining our dedication to social and environmental responsibility, we recently revised and updated our CSR Policy to its third edition in Q3 of 2023, a milestone validated by our Board of Directors. Such policy is a reflection of our evident commitment in the initiatives outlined below.

Trust in the younger generation continues to inspire our uptake to provide internship opportunities for students where 2023 witnessed 149 interns acquiring practical perspectives at Bank Audi. Similarly, the Audi Youth Summer program, a one-week training initiative designed exclusively for our staff children, aged 14-16, saw 66 youths participate. Such training enabled the children to navigate the modern world for a successful future, through educational sessions tackling Financial Literacy & empowerment, Career Exploration & personal development, in addition to Communication & Social skills. Similar bearings are reflected by our long-standing partnership with Injaz Lebanon as we serve on the Board of Directors for more than two decades now.

Sustaining our pledge towards Sustainable Development Goal (SDG 5) – Gender Equality, we maintained our female representation in our Board of Directors at 25% in 2023 and our gender parity across the Bank at 51% female versus 49% male. In this scope, we were invited by the UN Global Compact Network Lebanon (UNGCNL) to share our best practices and initiatives during a session entitled "Target Gender Equality (TGE) Strategies for Success" at 2 different cohorts. The presentations showcased Bank Audi's favourable gender equality practices, diversity and inclusion practices, and included concrete examples of inclusive programs and policies such as equal pay, talent management, providing coaching/ mentoring, employee networks or resource groups, etc. further upholding SDG 5 and the WEPs (Women Empowerment Principles).

The International Women's Day 2023 edition allowed all headquarter colleagues to attend 3 virtual sessions, as early as February 10, as part of the UNGC Academy Changemaker Sessions, where 3 inspiring global speakers were spotlighted. From an HR expert in Sri Lanka, to a male Managing Director in Kenya, all the way to a female CEO in Mexico, case studies were presented to portray how women added value in the boardroom, the support of men in gender equality, and closing the gender pay gap and fighting bias. The countdown was completed on March 8, recognizing International Women's Day, in collaboration with the Lebanese League for Women in Business (LLWB) and with the Konrad Adenauer Stifung (KAS) on the program "Women on Board", during a special in-person session endorsed by our top management, and that exposed the latest report on the topic for Lebanon.

2023 also witnessed our dedication to end gender based violence during the 16 days of activation, initiated on November 25th, as we took the global campaign internally, and called colleagues to action with "raise your voice" aligning Bank Audi with organizations around the world to call for the prevention and elimination of violence against women and girls crowned on The International Day for the Elimination of Violence against Women. Hoping to make an impact towards reducing the estimated 1 in 3 women that have experienced gender-based violence in their lifetime.

Regarding our human capital healthcare assistance, including dental care, we projected preventive measures through a variety of awareness initiatives including a Body Mass Index (BMI) campaign with the Certified Dietitian, Reiki Healer and Life Coach, who shed the light on bad health habits in our daily life and provided tips for a healthier lifestyle. Similarly, breast cancer awareness, prostate cancer alertness marking Movember, and blood sugar testing on World Diabetes Day with special motivational gifts.

Actively engaging our human capital in community related impacts, and as part of the World Hunger Month, September beheld the distribution of a variety of food types supporting 15 Lebanese needy families in collaboration with the Lebanese Food Bank. Fourteen colleagues of our Contact Centre division volunteered at Rifaq el Dareb by cooking and serving meals to almost 300 vulnerable elderlies. By the same token, we donated 54 kilograms of clothing apparel to the beneficiaries of FabricAid.

Under the scope of Environmental Protection, we continue to monitor our carbon footprint since 2012 (benchmark year), as we assess our consumption of resources, which was favourably recognised by the Ministry of Environment as our carbon footprint report for 2022 shows a drop of 60% of greenhouse gas emissions since benchmark year.

Our on-going paper recycling campaign with arcenciel, initiated in 2021, coupled with our overall recycling program, resulted in approximately 60 tons of paper, 818 kilograms of PET, cans, and plastic, and 65 kilograms of e-waste recycled with the help of Ecoserv. As far as our internal paper recycling program for 2023 is concerned, we succeeded in saving just over 1,000 trees.

Our environmental experience allowed us to contribute as a key stakeholder during a series of focus group meetings that aimed at developing 2050 sectoral visions for the following six sectors: transport, energy, circular economy, tourism, agriculture and sustainable finance, as part of the IKI (Germany) funded Learning by Doing Project organised by IndyACT.

Since acquiring knowledge remains a priority, we held a special session for our staff to understand earthquakes, their origin, tectonic plates and fault lines in our region, and relevant safety measures in old and new construction, to understand the momentous seismic movements.

We realise that our actions have spillover effects to external stakeholders in the sphere of social responsibility. As such, the UNGCNL requested that we share our expertise in the new Communication On Progress (COP) portal as best practice speaker during a COP training session, as a significant tool for tracking sustainability. During the session, over 65 participants from companies in the region, comfortably asked questions.

In conclusion, as we navigate the complex landscape of economic challenges, our unwavering focus on social and environmental issues remain a beacon of inspiration. In the face of uncertainty, our resilience is a testament to the values that define our vision for a better and more equitable world.

Odea Bank – Turkey

The engagement of OdeaBank in Corporate Social Responsibility (CSR) initiatives is sustained in prioritizing material issues such as gender equality, organizational management, human rights, fair business practices, environment, consumer problems, and social participation. It is a proactive and collaborative approach dedicated to improving the overall quality of public life.

The organization's efforts to raise employee awareness through special events and training activities on environmental and social issues foster a socially conscious workforce within a positive corporate culture.

OdeaBank's allegiance to the hereunder principles reflects a comprehensive and responsible approach in conducting business, ensuring ethical standards, and contributing to the well-being of both internal and external stakeholders:

1. Honesty and Open Communication foster transparency with internal and external stakeholders.
2. Valuing Human Capital promotes versatility, diversity, and equal opportunity.
3. Rewarding Talent and Supporting Teamwork focus on individual excellence and collaborative efforts.
4. Highest Standards of Integrity ensure ethical conduct in all aspects of the business.
5. Promoting Healthy Ecosystems and Social Equity reflects an awareness towards healthy ecosystems, social equity and good organizational governance beyond its immediate operations.
6. Taking Responsibility and Trustworthiness maintain a positive reputation and sustain the trust of customers, investors, and other stakeholders.
7. Positive Impact in the Value Chain acknowledges the interconnectedness of various stakeholders.

The onset of 2023 brought a seismic disaster in February to Türkiye, leaving a profound impact. OdeaBank swiftly activated its internal resources to support the victims, including some of its own customers, employees, and their families residing in the affected areas. It contributed to the establishment of two "Purple Spaces" (Mor Yerleşke) in İskenderun and Malatya in collaboration with the Federation of Women's Associations of Türkiye that aimed to cater to the diverse needs of individuals, including women, children, the elderly and disadvantaged groups in regions affected by the earthquake. These purpose-built settlements, housed in containers, served as multifunctional spaces providing a spectrum of therapeutic activities and playgrounds for children, in addition to providing psychological counseling services for women. Launched in June 2023, this impactful project spanned a one-year duration, underscoring OdeaBank's commitment to aiding the recovery of the communities affected by the earthquake.

Aligning with Sustainable Development Goal (SDG) 5 that focuses on gender equality, OdeaBank has been steadfast in shaping an equitable future for children through the innovative "Fair Tales" project that reimagines well-known fairy tales in a fresh perspective. To bring these tales to life, OdeaBank adapted them into a captivating children's play in 2022.

In the following year, 2023, the "Fair Tales" theater play took center stage, being performed 14 times in Istanbul, 2 times in Eskişehir and captivating an audience of over 11,000 people. Since its inception, the play has successfully reached more than 31,000 children through 38 performances.

Over a million books were donated to more than 1,200 schools, reaching disadvantaged children.

An English version was made accessible on OdeaBank's website, aiming to pique children's interest in foreign languages. Additionally, OdeaBank extended support to two significant festivals in the cultural and arts domain by sponsoring the Bergama Theater Festival and the Creative Children's Festival in 2023. As an active participant in the latter, OdeaBank showcased the play "Fair Tales." This comprehensive initiative addressed SDGs 4 (Quality Education), 5 (Gender Equality), and 10 (Reduced Inequalities).

Over and above, OdeaBank played a pivotal role in the 27th Istanbul Theater Festival, organized by the Istanbul Foundation for Culture and Arts in 2023. Under the theme 'There is a Woman Behind This!', OdeaBank sponsored and showcased plays like "Flu Lysistrata," "Sen Hamlet Değilsin," and "Kız Kardeşler." This thematic focus emphasized works produced by women in the festival program as such, increasing the visibility of women's contributions to arts and fostering a more inclusive and equitable society.

Year 2023 also witnessed OdeaBank's advancement on various SDGs through a range of impactful initiatives. For SDG 15 - Life on Land, it collaborated with the TEMA Foundation on a project to promote afforestation. For each new individual customer acquired through digital channels, OdeaBank donated a sapling to the TEMA Foundation. These saplings were planted in the Malatya Aşağıulupınar Afforestation Area, resulting in the creation of a memorial forest consisting of 10,000 saplings. On the International Day of the Girl Child, Odea Bank supported the Koruncuk Foundation's "Bu İş Çok Zor Yonca" campaign by meeting the personal needs of 10 female students for a year; advancing SDG 4, 5, and 17. Collaborating with the Happy Paws Foundation on World Animal Day, OdeaBank contributed to the vaccination and treatment of puppies in Kars Susuz.

Through its art platform O'art, OdeaBank has been supporting contemporary art production since 2015. O'art focuses on three key categories - Masterclass Program, New Media Residency Program, and O'art Talks. The Piksel, O'arts New Media Residency Program, provided training and offered production scholarships to 10 artists, fostering sustainable cultural and economic growth. Exhibitions such as "Yumuşak Disiplin" and "Onunla" curated by Ekmel Ertan and Begüm Güney respectively, celebrated Odea Bank's 10th anniversary and contributed to vibrant arts and cultural life. These activities correlate with SDGs 11 and 8 - Sustainable Cities and Communities and Decent Work and Economic Growth.

As demonstrated, OdeaBank's diverse initiatives prove a solid commitment towards corporate responsibility, addressing various SDGs that steer a course towards a sustainable, inclusive future.

03

Financial State ments

RESOLUTIONS PROPOSED BY THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL ASSEMBLY OF SHAREHOLDERS

In May 2024, the Board of Directors of the Bank adopted the following proposals to the Annual General Assembly of shareholders relating to the approval of the financial statements, to the constitution of reserves, to the allocation of the annual results, and to a number of other matters falling within the prerogatives of the Ordinary General Assembly:

Proposal No. 1

The Ordinary General Assembly of shareholders of the Bank is invited to approve the Bank's accounts, in particular the balance sheet and the profit and loss statement as at and for the year ended on 31 December 2023, and to grant full discharge to the Chairman and members of the Board of Directors in respect of their management of the Bank's activities during the year 2023.

Proposal No. 2

The Ordinary General Assembly of shareholders of the Bank is invited to approve the transfer of the 2023 annual results to the retained earnings, pursuant to the relevant circulars or memos of the Lebanese Banking Control Commission.

Other Proposals to the General Assembly

The Board of Directors of the Bank also adopted other proposals to the Annual General Assembly of shareholders to the effect of: (i) ratifying transactions that are subject to the approval of the Ordinary General Assembly of shareholders; (ii) authorising the entry into similar transactions during the year 2024; (iii) electing a new Board of Directors and determining the remuneration of its members; and (iv) other matters falling within the prerogatives of the Ordinary General Assembly, all as more fully described in the present Annual Report, in the enclosed financial statements, and in the other supporting documents addressed to the General Assembly and published separately.

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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF BANK AUDI sal

Adverse Opinion

We have audited the consolidated financial statements of Bank Audi SAL (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, because of the significance of matters discussed in the *"Basis for Adverse Opinion"* section of our report, the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

1. As disclosed in Note 2.1 to the consolidated financial statements, the Group did not apply the requirements of IAS 29 – Financial Reporting in Hyperinflationary Economies ("IAS 29") in the consolidated financial statements from and for the years from which the Republic of Lebanon and the Republic of Türkiye have been designated as a hyperinflationary economy, including the current year ended 31 December 2023, nor did the Group consider its effects on forecasts and discount rates used in accounting estimates. In addition, as disclosed in Note 26, during 2022, the Group determined the carrying amount of lands and real estate in Lebanon based on a valuation performed by an accredited external independent valuer in US Dollars and then translated it to Lebanese Pounds at the Sayrafa rate of LBP 89,500 for the US Dollar as at 31 December 2023 (2022: LBP 38,000 for the US Dollar) as required by the Central Bank of Lebanon Intermediate Circular 659. The gain from revaluation amounting to LBP 10,344 billion was recognized in other comprehensive income for the year ended 31 December 2023 (2022: LBP 7,078 billion). In accordance with IAS 29, the historical cost should be restated from the date of acquisition by applying the general price index, and then compared to the appraised amount with the difference treated as required by IAS 16 – Property, Plant and Equipment ("IAS 16") and subsequently, the appraised carrying amount should be restated from the date of the appraisal by applying the general price index. In addition, due to the lack of information and visibility on the impact of the current macroeconomic crisis in Lebanon, we were unable to conclude on the adequacy of the appraised amount. Had the Group applied the requirements of IAS 29, and considered its effects on accounting estimates, many elements and disclosures in the consolidated financial statements, including comparative financial information, would have been materially different. The effects on the consolidated financial statements from this departure have not been determined. Our opinion for the year ended 31 December 2022 was modified for same reasons.

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Basis for Adverse Opinion (continued)

2. Except for the exchange rate used for the translation of the appraised amount of land and real estate in Lebanon as described in paragraph 1 above, the Group translated its assets and liabilities denominated in foreign currencies and the assets and liabilities of its foreign operations as at 31 December, and all transactions in foreign currencies that occurred during the year then ended, using the official published exchange rates as disclosed in Note 1 to the consolidated financial statements. However, other exchange rates through legal exchange mechanisms are available, depending on the source and nature of the operation or balance. As per IAS 21, when several exchange rates are available, the rate to be used is that at which the future cash flows represented by the transaction or balance could have been settled if those cash flows had occurred at the measurement date. Due to the uncertainties disclosed in Note 1 to the consolidated financial statements, management did not use the rate at which the future cash flows could have been settled. In addition, the Group engaged in several foreign currencies exchange transactions, at rates different than the official published exchange rate, which resulted in differences recorded in the consolidated income statement under "Net trading gain (loss)" amounting to LBP 753 billion (2022: differences recorded in the consolidated income statement under "Net trading gain (loss)" and consolidated statement of comprehensive income under "Loss resulting from exchange of foreign currencies" amounting to LBP 1,399 billion and LBP 2,223 billion respectively, noting that the latter is not an exchange component of a gain or loss recognized in other comprehensive income). Had the Group applied the requirements of IAS 21 and had the Group used the rates at which the future cashflows could have been settled during 2021, 2022 and 2023, many accounts and disclosures in the consolidated financial statements would have been materially different. The effects on the consolidated financial statements from the departure of IAS 21 and the uncertainties relating to the appropriate exchange rates have not been determined. Our opinion for the year ended 31 December 2022 was modified for same reasons.

3. As at 31 December 2023, the Group holds balances with the Central Bank of Lebanon amounting to LBP 140,621 billion (2022: LBP 12,938 billion), a portfolio of Lebanese government treasury securities and Certificate of deposits (under financial assets at amortized cost) totalling LBP 12,672 billion (2022: LBP 5,636 billion), a portfolio of loans amounting to LBP 3,425 billion (2022: LBP 2,252 billion) and other balances with banks and other assets amounting to LBP 892 billion (2022: LBP 529 billion), concentrated in Lebanon which represent 57% of the Group's total assets as at 31 December 2023 (2022: 53%).

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

   Furthermore, the Group has engaged in several transactions involving modification of contractual cash flows, renegotiations, exchanges and extinguishment of financial assets and financial liabilities. The Group has not applied the requirements of IFRS 9 and assessed whether these transactions should be accounted for as modifications resulting in derecognition or no derecognition, nor is the Group calculating and accounting for the impact of such modifications, which constitutes a departure from the requirements of IFRS 9. The effects of this departure on the carrying amount of these financial instruments and related income statement accounts have not been determined. Our opinion for the year ended 31 December 2022 was modified for same reasons above.

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Basis for Adverse Opinion (continued)

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

   Had such adjustments and disclosures been determined and made, many elements and related disclosures in the accompanying consolidated financial statements for the years ended 31 December 2023 and 31 December 2022 would have been materially different. The effects of the resolution of these uncertainties on the consolidated financial statements and disclosures have not been determined. Our opinion for the year ended 31 December 2022 was modified for same reasons explained above.

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

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

4. As at 31 December 2023, the Group holds equity instruments in entities operating in Lebanon amounting to LBP 1,709 billion held at fair value through other comprehensive income (2022: LBP 111 billion). The fair value of these instruments is measured based on observable and unobservable data holding a high level of uncertainty due to lack of reliable market evidence in light of the uncertainties described in Note 1. As such, it is not possible to determine the future effects that the economic crisis described in Note 1 would have on the carrying amounts of these assets. Consequently, we were unable to determine whether any adjustments should have been recorded on these amounts. Our opinion for the year ended 31 December 2022 was modified for same reasons.

5. As at 31 December 2023, the Group carries provisions for risks and charges amounting to LBP 2,818 billion for which we requested but did not receive the basis for estimation and recognition. Accordingly, we were unable to determine whether this provision meets the recognition criteria of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". Consequently, we were unable to determine whether adjustments to the carrying amount of this provision as at 31 December 2023 and related income statement accounts for the year ended 31 December 2023 were necessary.

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Basis for Adverse Opinion (continued)

6. The events and conditions and practices that would not qualify as normal course of business in a non-crisis environment described in Note 1 and the matters described in paragraphs 1, 2 and 3 above and the impacts of the subsequent change of the official exchange rate described in Note 60 affect the financial position, liquidity, solvency and profitability of the Group, and expose the Group to increased litigation and regulatory risks. Significant uncertainty exists in relation to the outcome of the litigations, claims and investigations raised against the Group and the negative impact that they may have on the Group's liquidity as disclosed in Notes 1 and 57. These events and conditions may cast significant doubt on the Group's ability to continue as a going concern. We were unable to obtain sufficient appropriate audit evidence about the Group's ability to continue as a going concern. Our opinion for the year ended 31 December 2022 was modified for same reasons.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2023. Except for the matters described in the "*Basis for Adverse Opinion*" section of our report, we have determined that there are no other key audit matters to communicate in our report.

Other Information Included in the Group's 2023 Annual Report

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. As described in the "*Basis for Adverse Opinion*" section of our report, the consolidated financial statements do not include adjustments arising from the maters set out therein. We have concluded that the other information is materially misstated for the same reasons with respect to the amounts or other items in the Group's 2023 Annual Report affected by matters reported in the "*Basis for Adverse Opinion*".

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

Ernst & Young

BDO, Semaan, Gholam & Co.

28 June 2024
Beirut, Lebanon

CONSOLIDATED INCOME STATEMENT

For the Year Ended 31 December 2023

	Notes	2023 LBP Million	2022* Restated LBP Million
CONTINUING OPERATIONS			
Interest and similar income	4	6,024,914	1,867,188
Interest and similar expense	5	(720,304)	(267,161)
Net interest income		5,304,610	1,600,027
Fee and commission income	6	1,954,696	332,543
Fee and commission expense	7	(140,585)	(577,466)
Net fee and commission income (expense)		1,814,111	(244,923)
Net trading gain (loss)	8	1,435,128	(1,228,874)
Net (loss) gain on derecognition of financial assets at amortised cost	9	(11,067)	27,823
Non-interest revenues from financial assets at fair value through other comprehensive income		7	129
Gain (loss) from associates under equity method	25	10,177	(222)
Other operating income	10	76,041	11,134
Total operating income		8,629,007	165,094
Net (impairment loss) recovery on financial assets	11	(2,500,575)	330,113
Net operating income		6,128,432	495,207
Personnel expenses	12	(2,364,295)	(553,670)
Other operating expenses	13	(4,253,047)	(609,130)
Depreciation of property and equipment and right-of-use assets	26	(242,957)	(45,005)
Amortisation of intangible assets	27	(20,627)	(13,317)
Total operating expenses		(6,880,926)	(1,221,122)
Operating loss		(752,494)	(725,915)
Net gain on disposal of fixed assets		11,008	4,569
Loss before tax from continuing operations		(741,486)	(721,346)
Income tax	14	(249,006)	(13,469)
Loss for the year from continuing operations		(990,492)	(734,815)
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations, net of tax	45	990,812	79,461
Profit (loss) for the year		320	(655,354)
Attributable to:			
Equity holders of the parent		(233,195)	(673,985)
Loss for the year from continuing operations		*(990,374)*	*(734,709)*
Profit for the year from discontinued operations	45	*757,179*	*60,724*
Non-controlling interests		233,515	18,631
Loss for the year from continuing operations		*(118)*	*(106)*
Profit for the year from discontinued operations		*233,633*	18,737
		320	(655,354)
Loss per share:			
		LBP	LBP
Basic and diluted loss per share	15	(397)	(1,147)
Basic and diluted loss per share from continuing operations	15	(1,686)	(1,250)
Basic and diluted earnings per share from discontinued operations	15	1,289	103

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 31 December 2023

	Notes	2023 LBP Million	2022* Restated LBP Million
Loss for the year from continuing operations		(990,492)	(734,815)
Profit for the year from discontinued operations		990,812	79,461
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		7,968,758	(9,992)
Net foreign currency translation		7,968,758	(9,992)
Debt instruments at fair value through other comprehensive income			
Change in fair value during the year		3,196	(544)
Tax effects	14	(639)	109
Net gain (loss) on debt instruments at fair value through other comprehensive income		2,557	(435)
Total other comprehensive income (loss) that will be reclassified to the income statement in subsequent periods from continuing operations		7,971,315	(10,427)
Other comprehensive income (loss) that will not be reclassified to the income statement in subsequent periods from continuing operations			
Loss resulting from exchange of foreign currencies	8	-	(2,223,636)
Revaluation of lands and buildings			
Revaluation gain	26	10,343,872	7,077,786
Tax effects	14	(534,872)	(367,206)
Net revaluation of lands and buildings		9,809,000	6,710,580
Remeasurement losses on defined benefit plans			
Actuarial loss on defined benefits plans	37	(753,198)	(53,677)
Tax effects	14	46,154	(12,292)
Net remeasurement losses on defined benefit plans		(707,044)	(65,969)
Equity instruments at fair value through other comprehensive income			
Net unrealised gains		1,514,337	13,227
Tax effects	14	(270,115)	(2,453)
Net unrealised gains on equity instruments at fair value through other comprehensive income		1,244,222	10,774
Total other comprehensive income that will not be reclassified to the income statement in subsequent periods from continuing operations		10,346,178	4,431,749
Other comprehensive income for the year from continuing operations, net of tax		18,317,493	4,421,322
Other comprehensive income (loss) for the year from discontinued operations, net of tax	45	1,712,132	(71,711)
Total comprehensive income for the year from continuing operations, net of tax		17,327,001	3,686,507
Total comprehensive income for the year from discontinued operations, net of tax	45	2,702,944	7,750
Total comprehensive income for the year, net of tax		20,029,945	3,694,257
Attributable to:			
Equity holders of the parent		19,389,805	3,691,523
Non-controlling interests		640,140	2,734
		20,029,945	3,694,257

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 LBP Million	2022 LBP Million
ASSETS			
Cash and balances with central banks	16	148,469,720	14,304,554
Due from banks and financial institutions	17	24,847,986	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	18	-	216,397
Derivative financial instruments	19	452,527	119,143
Financial assets at fair value through profit or loss	20	4,358,540	256,745
Loans and advances to customers at amortised cost	21	15,165,583	5,871,120
Loans and advances to related parties at amortised cost	22	575,051	64,475
Debtors by acceptances		250,048	7,055
Financial assets at amortised cost	23	19,225,632	7,055,456
Financial assets at fair value through other comprehensive income	24	2,025,273	1,031,841
Investments in associates	25	141,155	14,359
Property and equipment and right-of-use assets	26	18,524,365	7,646,768
Intangible assets	27	62,834	60,777
Assets obtained in settlement of debt	28	98,468	163,400
Other assets	29	1,152,697	662,458
Deferred tax assets	14	98,187	57,195
Goodwill	30	497,030	42,442
Assets held for sale	45	42,541,256	-
TOTAL ASSETS		278,486,352	40,590,951
LIABILITIES			
Due to central banks	31	2,529,211	2,733,967
Due to banks and financial institutions	32	2,826,759	583,485
Due to banks under repurchase agreements	32	-	49,799
Derivative financial instruments	19	312,937	54,560
Customers' deposits	33	194,176,179	29,100,938
Deposits from related parties	34	1,319,556	116,350
Debt issued and other borrowed funds	35	4,063,130	823,443
Engagements by acceptances		250,048	7,055
Other liabilities	36	2,402,027	405,821
Current tax liabilities	14	269,203	28,996
Deferred tax liabilities	14	310,826	100,297
Provisions for risks and charges	37	4,519,041	530,898
Liabilities held for sale	45	39,430,857	-
TOTAL LIABILITIES		252,409,774	34,535,609
SHAREHOLDERS' EQUITY – GROUP SHARE			
Share capital – common shares	38	982,859	982,859
Share capital – preferred shares	38	10,020	10,020
Issue premium – common shares	38	902,290	902,290
Issue premium – preferred shares	38	894,480	894,480
Cash contribution to capital	39	72,586	72,586
Non-distributable reserves	40	2,535,354	2,529,255
Distributable reserves	41	35,995	35,995
Treasury shares	43	(8,392)	(9,537)
Accumulated losses		(4,896,300)	(4,193,502)
Other components of equity	44	25,149,133	5,408,056
Reserves related to assets held for sale	45	(105,217)	-
Result of the year		(233,195)	(673,985)
		25,339,613	5,958,517
NON-CONTROLLING INTERESTS	46	736,965	96,825
TOTAL SHAREHOLDERS' EQUITY		26,076,578	6,055,342
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		278,486,352	40,590,951

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended 31 December 2023

	Notes	2023 LBP Million	2022 LBP Million
OPERATING ACTIVITIES			
Loss before tax from continuing operations		(741,486)	(619,160)
Profit before tax discontinued operations	45	1,013,260	-
Adjustments for non-cash items:			
Depreciation and amortisation	26 & 27	412,177	70,346
Net gain on derecognition of financial instruments at amortised cost	9 & 45	(81,251)	(28,061)
Net impairment loss (recovery) on financial assets	11 & 45	2,485,614	(292,243)
(Gain) loss from associates under equity method	25	(10,177)	222
Net gain on sale or disposal of fixed assets		(11,008)	(4,569)
Provision for risks and charges		3,213,982	197,851
Write-back of provisions for risks and charges		(1,769)	(1,351)
Interest expense on debt issued and other borrowed funds		709,789	40,605
Net foreign exchange difference		(2,198,500)	-
		4,790,631	(636,360)
Changes in operating assets and liabilities:			
Balances with the central banks, banks and financial institutions maturing in more than 3 months		24,166,952	2,696,517
Change in derivatives and financial assets held for trading		(4,571,920)	(205,507)
Change in loans and advances to customers and related parties		(22,068,295)	1,361,855
Change in other assets		(333,763)	(207,217)
Change in deposits from customers and related parties		48,949,075	(1,071,384)
Change in other liabilities		1,089,332	61,387
Change in provisions for risks and charges		(268,629)	57,501
Cash from operations		51,753,383	2,056,792
Provisions for risks and charges paid		(170,679)	(10,154)
Taxation paid		(105,202)	(319,610)
Net cash from operating activities		51,477,502	1,727,028
INVESTING ACTIVITIES			
Change in financial assets – other than trading		(25,079,533)	440,759
Purchase of property and equipment and intangibles	26 & 27	(689,050)	(58,115)
Proceeds from sale of property and equipment and intangibles		12,220	7,249
Proceeds from sale of assets obtained in settlement of debt		-	98,125
Net cash (used in) from investing activities		(25,756,363)	488,018
FINANCING ACTIVITIES			
Debt issued and other borrowed funds	35	(328,787)	(449,433)
Lease liability payments	36	(76,542)	(12,102)
Net cash used in financing activities		(405,329)	(461,535)
CHANGE IN CASH AND CASH EQUIVALENTS		25,315,810	1,753,511
Foreign exchange differences		54,633,810	(141,026)
Loss resulting from exchange of foreign currencies		-	(2,223,636)
Cash and cash equivalents at 1 January		7,995,333	8,606,484
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	47	87,944,953	7,995,333
Operational cash flows from interest and dividends			
Interest paid		(651,118)	(729,937)
Commissions paid		-	(547,064)
Interest received		5,398,543	2,601,641
Dividends received		1,008	465

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2023

	Attributable to the Equity Holders of the Group														
	Share Capital - Common Shares	Share Capital - Preferred Shares	Issue Premium - Common Shares	Issue Premium - Preferred Shares	Cash Contribution to Capital	Non-distributable Reserves	Distributable Reserves	Treasury Shares	Accumulated losses	Other Components of Equity	Reserves Related to Assets Held for Sale	Result of the Year	Total	Non-controlling Interests	Total Shareholders' Equity
	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million	LBP Million
Balance at 1 January 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 income for the year	-	-	-	-	-	-	-	-	-	-	-	(233,195)	(233,195)	233,515	320
Other comprehensive income	-	-	-	-	-	-	-	-	-	19,623,000	-	-	19,623,000	406,625	20,029,625
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,623,000**	**-**	**(233,195)**	**19,389,805**	**640,140**	**20,029,945**
Appropriation of 2022 losses	-	-	-	-	-	6,099	-	-	(680,084)	-	-	673,985	-	-	-
Discontinued operations (Note 45)	-	-	-	-	-	-	-	-	-	105,217	(105,217)	-	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	1,145	(8,065)	-	-	-	(6,920)	-	(6,920)
Write off of FVTOCI	-	-	-	-	-	-	-	-	(12,860)	12,860	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	(1,789)	-	-	-	(1,789)	-	(1,789)
Balance at 31 December 2023	**982,859**	**10,020**	**902,290**	**894,480**	**72,586**	**2,535,354**	**35,995**	**(8,392)**	**(4,896,300)**	**25,149,133**	**(105,217)**	**(233,195)**	**25,339,613**	**736,965**	**26,076,578**

	Share Capital - Common Shares	Share Capital - Preferred Shares	Issue Premium - Common Shares	Issue Premium - Preferred Shares	Cash Contribution to Capital	Non-distributable Reserves	Distributable Reserves	Treasury Shares	Accumulated losses	Other Components of Equity	Reserves Related to Assets Held for Sale	Result of the Year	Total	Non-controlling Interests	Total Shareholders' Equity
Balance at 1 January 2022	982,859	10,020	902,290	894,480	72,586	1,869,717	496,533	(9,190)	(90,155)	(1,181,287)	-	(285,751)	3,662,102	94,091	3,756,193
Adjustment related to prior years (Note 2.7)	-	-	-	-	-	-	-	-	(1,395,086)	-	-	-	(1,395,086)	-	(1,395,086)
Adjusted balance at 1 January 2022	982,859	10,020	902,290	894,480	72,586	1,869,717	496,533	(9,190)	(1,485,241)	(1,181,287)	-	(285,751)	2,267,016	94,091	2,361,107
Net loss for the year	-	-	-	-	-	-	-	-	-	-	-	(673,985)	(673,985)	18,631	(655,354)
Other comprehensive income	-	-	-	-	-	-	-	-	(2,223,636)	6,589,144	-	-	4,365,508	(15,897)	4,349,611
Total comprehensive income	-	-	-	-	-	-	-	-	(2,223,636)	6,589,144	-	(673,985)	3,691,523	2,734	3,694,257
Appropriation of 2021 losses	-	-	-	-	-	14,861	-	-	(300,612)	-	-	285,751	-	-	-
Treasury share transactions	-	-	-	-	-	-	-	(347)	-	-	-	-	(347)	-	(347)
Transfer between reserves	-	-	-	-	-	644,677	(460,538)	-	(184,338)	199	-	-	-	-	-
Other movements	-	-	-	-	-	-	-	-	325	-	-	-	325	-	325
Balance at 31 December 2022	982,859	10,020	902,290	894,480	72,586	2,529,255	35,995	(9,537)	(4,193,502)	5,408,056	-	(673,985)	5,958,517	96,825	6,055,342

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As at 31 December 2023

NOTES' INDEX

1.0. CORPORATE INFORMATION

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

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

The consolidated financial statements were authorised for issue in accordance with the Board of Directors' resolution on 27 June 2024.

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 downsized, closed or bankrupted, and unemployment and poverty rose 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 increased 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.

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. In January 2024, the Central Bank of Lebanon changed the official published exchange rate from LBP 15,000 to LBP 89,500 to the US Dollar.

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. At maturity as at 31 December 2023, the circular was not renewed.
(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.

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 announced that as at 30 April 2023, 180,976 depositors have so far benefited from the application of this circular for a total amount of USD 1.8 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 2022.

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.

At the end of a two-week staff visit to Lebanon in September 2023, the IMF issued a press release saying 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.

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 Law 2024

Lebanon's parliament passed, on the 26 January 2024, an amended budget for the year 2024. The budget, amended over the course of months from a version that had been submitted to parliament by the Council of Ministers, anticipated higher state revenues earned through VAT and customs fees.

Maritime Border Demarcation Agreement

The maritime border demarcation agreement between Lebanon and Israel was finalised in October 2022. 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.

Although there was no hydrocarbons discovery as a result of the drilling in Block Number 9, the data and samples obtained from inside the well will give 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.

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

1.2. REGULATORY ENVIRONMENT

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

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

- Basic Circular 151 issued on 21 April 2020 and concerning depositors who wish to withdraw amounts of cash from their foreign currencies accounts as per a specific rate up to limits set by the Bank. The exchange rate specified by the Central Bank of Lebanon in its transactions with banks will remain applicable to all other operations in US Dollar. At maturity as at 31 December 2023, the circular was not renewed.

- 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. 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. . Intermediate Circular 685 issued on 28 December 23 increased the contribution of this revaluation to Common Equity Tier 1 from 50% to 75%.

  - 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. After allowing banks to draw down the buffer fully during 2020 and 2021, a partial drawn up to 1.75% in 2022, latest regulatory changes introduced on 2 February 2024 via Intermediate Circular 689 allowed a full draw down of the 2.5% buffer during years 2023 and 2024. Central Bank of Lebanon will issue future instructions for reconstitution of capital.

  - 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 US$ 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. On 17 November 2023, BdL issued Intermediate Circular 682 adding an eligibility criteria to benefit from Basic Circular 158; Customers who have transferred their funds after the crisis to another local Bank can benefit from the provisions of said circular if (i) transferred funds are returned to the originating bank, and if (ii) the customer hadn't benefited from the circular neither from the originating Bank, nor the destination Bank.

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. At maturity as at 31 December 2023, the circular was not renewed.

• 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 (years 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). This circular was later amended on 2 February 2024 by Intermediate Circular 686 increasing the interest rate reduction on foreign currencies placements with BdL and on Certificates of Deposits issued by BdL from 50% to 75% while limiting the coupon payment to be in foreign currency only.

• 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 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. On 3 November 2023, the Intermediate Circular 680 was issued and requested from banks to also comply with article 865 (in addition to article 863) of the Civil Procedure Law and article 860 of the same law on the prohibition of seizing the retirement pensions of civil servants.

• Basic Circular 165 issued on 19 April 2023 and requesting banks to open new accounts at BdL in LBP and in US$ specifically and exclusively for the "Cash Money" (i.e. money transferred from abroad and/or received as banknotes in foreign currencies after 17 November 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 683 issued on 17 November 2023 amending the provisions BDL Basic Cicular 32 which defines the framework of Foreign Exchange ("FX") operations in Banks operating in Lebanon and various FX positions computation. This circular came on the wake of several amendments applied in 2023 (Intermediate Circular 659, Intermediate Circular 675 and Intermediate Circular 677) aiming at converging to the IAS 21: The Effects of Changes in Foreign Exchange Rates differentiating monetary from non-monetary items and the corresponding impact on the Bank's FX position. Based on the new definition, the Bank is authorized to hold a Special Long FX position to hedge its core equity against FX risk. This special long FX position is to be deducted from the FX open position to reach the FX Trading Position. Besides, the circular reintroduced the 1% maximum limit (if the Bank holds concurrently a long open position and a net long trading position) on net trading position and 40% limit on Global position, while cancelling all previously authorized structural/fixed positions and any forbearance limit. The circular states that excesses over set limits at end of December 2023 should be liquidated by 31 December 2024 if long and 31 December 2025 if short.

• Intermediate Circular 689 issued on 2 February 2024 permitting the full inclusion in Common Equity Tier 1 of balance of Foreign Currency Translation Reserve as well as 75% of net changes from FVTOCI instruments. Besides, it allowed a full draw down of the 2.5% capital conservation buffer during years 2023 and 2024.

• Intermediate Circular 690 issued on 2 February 2024 permitting the full inclusion in the regulatory equity of positive balance (gains) of Foreign Currency Translation Reserve noting that this equity is used for the computation of various regulatory ratios other than capital adequacy ratios (FX position, limit of placement with FI, Code of money credit ("CMC") 153 limit.

• Basic Circular 166 issued on 2 February 2024 defining a new mechanism for the repayment of restricted funds in foreign currencies and de-facto replacing Basic Circular 151, which authorized limited withdrawals in LBP from foreign currencies accounts at pre-defined exchange rates and has not been renewed. Beneficiaries from said circular – who cannot be old or current beneficiaries from Basic Circular 158 - would be able to withdraw on a monthly basis USD150 in cash up to a cumulative amount of USD 4,350 until June 2026. 50% of said amount will be financed from the Bank's own liquidity and 50% from the Bank's restricted funds with BdL. Certain exclusions parameters apply to potential customers wishing to benefit from the circular (Customers who did not return offshore transfers as per Basic Circular 154, traders of checks, customers who converted LBP deposits into foreign currencies for at least USD 300,000 post-crisis with the exception of those who converted their end of service indemnity, customers who settled their foreign currencies loans for an amount equivalent to USD 300,000 from LBP proceeds, beneficiaries of sayrafa transaction above or equal to USD USD 75,000, corporate clients, etc.).

• Basic Circular 167 issued on 2 February 2024 defining the published rate on BdL's electronic platform as the FX translation rate for the Bank's foreign currency monetary items as well for the non-monetary assets measured at fair value and assets measured as per equity method in line with IAS 21. This measure applies starting January 2024 reported financials.

1.3. PARTICULAR SITUATION OF THE GROUP

Exchange Rates

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

	2023		2022	
	Year-end Rate LBP	Average Rate LBP	Year-end Rate LBP	Average Rate LBP
US Dollar	15,000.00	13,875.63	1,507.50	1,507.50
Euro	16,695.00	15,049.23	1,603.83	1,594.38
Swiss Franc	17,942.58	15,533.78	1,628.67	1,585.95
Turkish Lira	508.84	579.36	80.61	93.13
Saudi Riyal	3,999.60	3,698.81	401.09	401.52
Qatari Riyal	4,114.10	3,805.04	412.56	412.17

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: the parallel exchange markets and the Sayrafa rate that are highly volatile.

- 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 31 December 2023 LBP	Average Rate for the Year Ended 31 December 2023 LBP	Rate as at 31 December 2022 LBP	Average Rate for the Year Ended 31 December 2022 LBP
US Dollar	89,500	78,116	38,000	26,146

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

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).

In January 2024, the Central Bank of Lebanon changed the official published exchange rate from LBP 15,000 to LBP 89,500 to the US Dollar.

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 to translate all balances and transactions in foreign currencies, regardless of their source or nature which does not represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the consolidated financial statements.

The consolidated financial statements as at and for the year ended 31 December 2023 do not include adjustments from the change in this rate from LBP 15,000 to LBP 89,500 to the US Dollar (the consolidated financial statements as at and for the year ended 31 December 2022 do not include adjustments from the change in this rate from LBP 1,507.5 to LBP 15,000 to the US Dollar).

The Group will use the new rate of LBP 89,500 in its subsequent financial information reporting, with the first period being the quarterly reporting as of 31 March 2024. The carrying amounts of total assets, liabilities and shareholders' equity as at 31 March 2024 were reported at LBP 1,506,994,548 million, LBP 1,421,634,350 million and LBP 85,360,198 million, respectively.

Foreign currency mismatch is detailed in Note 54 to these consolidated financial statements.

Expected Credit Losses

As at 31 December 2023, loss allowances on assets held at the Central Bank of Lebanon are recorded in these 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 consolidated financial statements do not include adjustments of the carrying amount of these assets to their recoverable amounts based on International Financial Reporting Standards and an expected credit loss model.

The impact is expected to be pervasive and will be reflected in the consolidated financial statements once the debt restructuring has been defined conclusively by the government and all uncertainties and constraints are resolved, and once the mechanism for allocating losses by asset class and currency is clear and conclusive. Maximum exposures to the credit risk of the Central Bank of Lebanon and the Lebanese government and the recognised loss allowances, as well as their staging, are detailed in Note 53 to these consolidated financial statements.

As a result of the negative economic conditions and the deepening of the recession, the credit quality of the private loans portfolio concentrated in Lebanon has significantly deteriorated since the last quarter of 2019. The deterioration was further aggravated by the effects of the COVID-19 pandemic and the significant high inflation in Lebanon. Since the start of the Lebanese crisis, the Bank has been implementing a de-risking strategy by considerably reducing its assets size, specifically its portfolio of private loans concentrated in Lebanon. It has also set up a centralised and specialised remedial function to proactively review and manage the quality of its various portfolios. The private loans portfolio of Lebanese entities has significantly contracted since the onset of the Lebanese crisis as it decreased from USD 3.9 million at 31 December 2019 to USD 0.16 million as at 31 December 2023. 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 53 to these consolidated financial statements.

The consolidated financial position of the Group, as reported in these consolidated financial statements, does not reflect the adjustments that would be required by IFRS as a result of the future government reform program, the deep recession, the currency crisis and the hyperinflation. Due to the high levels of uncertainties, the lack of observable indicators, the 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 consolidated financial position. Management anticipates that the above matters will have a materially adverse impact on the Group's consolidated financial position and its consolidated 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 years 2021, 2022 and 2023, Management considers that they may affect negatively the liquidity of the Group (refer to Note 57). The amount cannot be determined presently.

Taxes, Social Security Contributions and Related Provisions

Due to the availability of several exchange rates in the Lebanese market, the determination of taxes, social security contributions and related provisions in relation to transactions or activities in foreign currencies are highly sensitive to the exchange rates applied. As a result of the unprecedented events and circumstances, there is high level of judgment involved in deciding on the exchange rates used and any change in these exchange rates, would result in a different determination of taxes, social security contributions and related provisions.

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

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

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

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

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

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

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

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

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

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

- The Bank submitted to the regulators a calculation for meeting the regulatory requirement of 3% liquidity ratio with foreign banks in accordance with Central Bank of Lebanon Basic Circular 154.
- Re-establishing normal banking services with the active promotion of the "External Account" platform.
- Improving operational efficiency and strengthening governance by:
  - Building up on the synergies achieved from the merger of both Audi Private Bank sal and Audi Investment Bank sal under Bank Audi sal.
  - Implementing a cost optimisation plan.
- Significantly reducing its net positions in foreign currencies from a short position to a long position in view of managing risks from fluctuation of exchange rates and the significant devaluation of the LBP, on its income statement and equity. The reduction of the net open position was achieved through purchases of local foreign currencies from customers during 2022 and 2021 resulting in booked losses in other comprehensive income of LBP 2,223,636 million in 2022 (Note 8). Net foreign exchange positions that would have an effect on the Group's income statement and equity are disclosed in Note 54 to these consolidated financial statements.

All of these measures have helped strengthen the Group's financial position, including international liquidity and solvency metrics. However, as at 31 December 2023, consolidated capital adequacy ratios stood at 8.4%,8.8% and 9.5% for CET1, Tier 1 and Total CAR respectively, above the minimum regulatory levels of 4.5%, 6.0% and 8.0% applicable in 2023 (since banks are allowed to draw down on the 2.5% capital conservation buffer during 2023 and 2024). Negative impact is anticipated from the application of the new official exchange rate of LBP 89,500 to the US Dollar effective 31 January 2024, upon translation of FCY-denominated risk-weighted assets.

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. MATERIAL ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION

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

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

As of 31 December 2023 and 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 2,005% and 192%, respectively, as of December 2023 (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 2024, and based on the inflation data published by Turkey Statistical Institute on 3 April 2024, the three-year cumulative increase in Consumer Price Index has been 308.66% (2022: 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 restatements shall be made as if the Lebanese economy has always been hyperinflationary, using a general price index that reflects the changes in the currency's purchasing power.

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

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

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

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

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

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

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

v. At the beginning of the first year of application of the restatement method of financial statements in terms of the current measuring unit, the prior year comparatives are restated in terms of the 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 consolidated financial statements, 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 consolidated financial statements due to the following considerations: the significant divergence in exchange rates, the lack of consensus on the general price index and the lack of views of relevant regulators, including tax authorities. 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 consolidated financial statements including its consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement.

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

Statement of Compliance

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

Presentation of Financial Statements

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

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

2.2. BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Bank Audi sal and its subsidiaries as at 31 December 2023. Details of the principal subsidiaries are given in Note 46.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

Non-controlling Interests

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

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

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

2.3. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first time certain amendments to the standards which are effective for annual periods beginning on or after 1 January 2023. The nature and impact of each amendment is described below:

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Group's consolidated financial statements.

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

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help 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 had no impact on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

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

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

In periods in which Pillar Two legislation is (substantively) enacted but not yet effective, the amendment requires disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes including both qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. For example:

a) Qualitative information such as how an entity is affected by Pillar Two legislation and the main jurisdictions in which exposures to Pillar Two income taxes might exist, and

b) Quantitative information such as:
- An indication of the proportion of an entity's profits that might be subject to Pillar Two income taxes and the average effective tax rate applicable to those profits; or
- An indication of how the entity's overall effective tax rate would have changed if Pillar Two legislation had been effective.

Once the legislation is effective, additional disclosures are required for the current tax expense related to Pillar Two income taxes. The requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The Group has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules in the various jurisdictions in which it operates. The Group has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective since its effective tax rate is above 15% in all the jurisdictions in which it operates. Therefore, as the related Pillar Two disclosures are not required, the amendments will have no impact on the Group's consolidated financial statements at 31 December 2023.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts (IFRS 17) is effective for reporting periods beginning on or after 1 January 2023. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. Limited scope exceptions apply.

The Group has not identified contracts that result in the transfer of significant insurance risk, and therefore it has concluded that IFRS 17 does not have a material impact on the consolidated financial statements for the year ended 31 December 2023.

2.4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2023, with the Group not opting for early adoption. These have therefore not been applied in preparing these consolidated financial statements. The most significant of these new standards, amendments and interpretations are as follows:

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

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

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

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

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

Lack of exchangeability – Amendments to IAS 21

In August 2023, the Board issued Lack of Exchangeability (Amendments to IAS 21). The amendment to IAS 21 specifies how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, it discloses information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information. The Group is currently assessing the impact of the amendments on the Group's consolidated financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28

The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3 Business combinations. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The amendments must be applied prospectively. Early application is permitted and must be disclosed. The amendments are not expected to have a material impact on the Group's consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

On 09 April 2024, the International Accounting Standards Board (the IASB or the Board) issued IFRS 18 Presentation and Disclosure in Financial Statements (IFRS 18) which replaces IAS 1 Presentation of Financial Statements (IAS 1). The new IFRS accounting standard is a result of the IASB's Primary Financial Statements project, which is aimed at improving comparability and transparency of communication in financial statements.

The new requirements include:
- Required totals, subtotals and new categories in the statement of profit or loss
- Disclosure of management - defined performance measures or 'MPMs'
- Guidance on aggregation and disaggregation

Some requirements previously included in IAS 1 have been moved to IAS 8 and limited amendments have been made to IAS 7 and IAS 34.

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. The Group is currently assessing the impact of the amendments on the Group's consolidated financial statements.

2.5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Combinations and Goodwill

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

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

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

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

Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

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

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 "Operating Segments".

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

Investments in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

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

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

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

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

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

Foreign Currencies

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

(i) Transactions and Balances

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange (as disclosed in Note 1) at the date of the statement of financial position. All differences are taken to "net trading gain (loss)" in the consolidated income statement, except for monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time the cumulative amount is reclassified to the income statement. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in OCI.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or the income statement are also recognised in other comprehensive income or the income statement, respectively).

(ii) Group Companies

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

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

Financial Instruments – Initial Recognition

(i) Date of Recognition

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

(ii) Initial Measurement of Financial Instruments

Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

In the case of a financial instrument measured at fair value, with the change in fair value being recognised in the income statement, the transaction costs are recognised as revenue or expense when the instrument is initially recognised.When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

(iii) Day 1 Profit or Loss

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

Financial Assets – Classification and Measurement

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

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

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

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

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

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

Business Model

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

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

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

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

The SPPI Test

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

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

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

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

Financial Assets at Amortised Cost

Balances with central banks, due from banks and financial institutions, loans to banks and financial institutions and reverse repurchase agreements, loans and advances to customers and related parties at amortised cost, and financial assets at amortised cost.

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

Financial Assets at Fair Value through Other Comprehensive Income

Debt Instruments at Fair Value through Other Comprehensive Income

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

Equity Instruments at Fair Value through Other Comprehensive Income

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

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

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

Financial Assets at Fair Value through Profit or Loss

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

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

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

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

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

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

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

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

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

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

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

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

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

Derivatives Recorded at Fair Value through Profit or Loss

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

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

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

Embedded Derivatives

An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a separate financial instrument.

An embedded derivative is separated from the host and accounted for as a derivative if, and only if:
(a) The hybrid contract contains a host that is not an asset within the scope of IFRS 9.
(b) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host.
(c) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
(d) The hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

Financial Guarantees, Letters of Credit and Undrawn Loan Commitments

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

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

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

Reclassification of Financial Assets

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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

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

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

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

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

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

(ii) Derecognition Other than for Substantial Modification

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

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

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

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

A transfer only qualifies for derecognition if:

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

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

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

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

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

Financial Liabilities

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

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

Repurchase and Reverse Repurchase Agreements

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

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

Impairment of Financial Assets

(i) Overview of the ECL Principles

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

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

(ii) Measurement of ECLs

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

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

They key inputs into the measurements of ECL are:

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

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

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

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

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

(iii) Forborne and Modified Loans

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

When the loan has been renegotiated or modified but not derecognised, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:
- At least a 12-month probation period has passed.
- Three consecutive payments under the new repayment schedule have been made.
- The borrower has no past dues under any obligation to the Group.
- All the terms and conditions agreed to as part of the restructuring have been met.

If modifications are substantial, the loan is derecognised, as explained above.

(iv) Credit-impaired Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at fair value through other comprehensive income, and finance lease receivables are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:
- Significant financial difficulty of the borrower or issuer.
- A breach of contract such as a default or past due event.
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security because of financial difficulties.

(v) Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to "net (impairment loss) recovery on financial assets".

(vi) Debt Instruments at Fair Value through Other Comprehensive Income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to the income statement. The accumulated loss recognised in OCI is recycled to the income statement upon derecognition of the assets.

(vii) Collateral Repossessed

The Group occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently, these properties are measured at the lower of carrying value or net realisable value.

Upon sale of repossessed assets, any gain or loss realised is recognised in the consolidated income statement under "other operating income" or "other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "reserves appropriated for capital increase" in the following financial year.

Fair Value Measurement

The Group measures financial instruments, such as derivatives and non-financial assets, namely land and building and building improvements, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in these Notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:
- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Management determines the policies and procedures for both recurring and non-recurring fair value measurement. At each reporting date, Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Hedge Accounting

As part of its risk management, the Group has identified a series of risk categories with corresponding hedging strategies using derivative instruments, as set out in Note 19.

When a hedging relationship meets the specified hedge accounting criteria set out in IFRS 9, the Group applies one of the three types of hedge accounting: fair value hedges, cash flow hedges, or hedges of net investments in a foreign operation.

At the inception, the Group formally documents how the hedging relationship meets the hedge accounting criteria. It also records the economic relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness.

A hedging relationship qualifies for hedge accounting only if: (a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (b) at the inception of the hedging relationship, there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; and (c) the hedging relationship meets all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument.
- The effect of credit risk does not dominate the value changes that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis in order to qualify for hedge accounting. The effectiveness test can be performed qualitatively or quantitatively. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and semi-annually on an ongoing basis. Hedge ineffectiveness is recognised in the consolidated income statement in "net trading gain (loss)".

The Group applies the IBOR reform Phase 1 reliefs to hedging relationships directly affected by IBOR reform during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate (RFR). The reliefs apply during the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). A hedging relationship is affected if interest rate benchmark reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The reliefs require that for the purpose of determining whether a forecast transaction is highly probable, it is assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform. IBOR reform Phase 1 requires that for hedging relationships affected by IBOR reform, the Group must assume that for the purpose of assessing expected future hedge effectiveness, the interest rate is not altered as a result of IBOR reform. The reliefs cease to apply once certain conditions are met. These include when the uncertainty arising from IBOR reform is no longer present with respect to the timing and amount of the benchmark-based cash flows of the hedged item, if the hedging relationship is discontinued or once amounts in the cash flow hedge reserve have been released.

IBOR reform Phase 2 provides temporary reliefs that allow the Bank's hedging relationships to continue upon the replacement of an existing interest rate benchmark with an RFR. The reliefs require the Group to amend the hedge designations and hedge documentation.

(i) Fair Value Hedges

For qualifying fair value hedges, the gain or loss on the hedging instrument is recognised in the consolidated income statement under "net trading gain (loss)". Hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognised in the consolidated income statement also under "net trading gain (loss)". If the hedged item is an equity instrument for which the Group has elected to present changes in fair value in other comprehensive income, those amounts remain in other comprehensive income.

If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Group decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively. If the relationship does not meet the hedge effectiveness criteria, the Group discontinues hedge accounting from the last date on which compliance with hedge effectiveness was demonstrated. If the hedge accounting relationship is terminated for an item recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge by recalculating the EIR. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the consolidated income statement.

(ii) Cash Flow Hedges

For qualifying cash flow hedge, a separate component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

a) The cumulative gain or loss on the hedging instrument from inception of the hedge.

b) The cumulative change in fair value (present value) of the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (the portion that is offset by the change in the cash flow hedge reserve described above) shall be recognised in other comprehensive income. Any remaining gain or loss on the hedging instrument is hedge ineffectiveness that shall be recognised in the consolidated income statement. The amount that has been accumulated in the cash flow hedge reserve and associated with the hedged item is treated as follows:

a) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability without affecting other comprehensive income.

b) For cash flow hedges other than those covered by a), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in other comprehensive income at that time remains in other comprehensive income and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the consolidated income statement.

(iii) Hedge of Net Investments

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement. On disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in the foreign currency translation reserve is transferred to the consolidated income statement as a reclassification adjustment.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use Assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within "property, equipment and right-of-use assets" on the consolidated financial statements and are subject to impairment in line with the Group's policy, as described under "impairment of non-financial assets".

Depreciation charge for right-of-use assets is presented within "depreciation of property, and equipment and right-of-use assets" in the consolidated financial statements.

(ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included under "other liabilities". Moreover, the interest charge on lease liabilities is presented within "interest and similar expenses" in consolidated financial statements.

(iii) Short-term Leases and Leases of Low-value Assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. Other rental expenses (including non-lease components paid to landlords) are presented within other operating expenses.

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Revenue Recognition

The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and Similar Income and Expense

The Effective Interest Rate

Interest income and expense are recognised in the income statement applying the EIR method for all financial instruments measured at amortised cost, financial instruments designated at fair value through profit or loss, and interest-bearing financial assets measured at fair value through other comprehensive income.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit-impaired, an entity shall take into account all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. For purchased or originated credit-impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows and expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest Income and Interest Expense

The effective interest rate of a financial asset or a financial liability is calculated on initial recognition of the financial asset or financial liability. In determining interest income and expense, the EIR is applied to the gross carrying amount of the financial asset (unless the asset is credit-impaired) or the amortised cost of a financial liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, unless the financial instrument is measured at fair value, with the change in fair value being recognised in the income statement. In those cases, the fees are recognised as revenue or expense when the instrument is initially recognised.

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net amortised cost of the instrument. If the financial asset cures and is no longer credit-impaired, the Group reverts back to calculating interest income on a gross basis. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the amortised cost of the instrument. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the consolidated income statement includes:

- Interest on financial assets at amortised cost.
- Interest on debt instruments measured at fair value through other comprehensive income.
- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows in the same period as the hedged cash flows affect interest income/expense.

Interest expense presented in the consolidated income statement includes:

- Financial liabilities measured at amortised cost.

- The effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows in the same period as the hedged cash flows affect interest income/expense.

Interest income and expense on financial instruments measured at fair value through profit or loss are presented under "net trading gain (loss)" in the consolidated income statement.

(ii) Fee and Commission Income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee Income Earned from Services that Are Provided over a Certain Period of Time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the EIR on the loan. When it is unlikely that a loan be drawn down, the loan commitment fees are recognised as revenues on expiry.

Fee Income from Providing Transaction Services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognised on completion of the underlying transaction. Fee or components of fee that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

(iii) Dividend Income

Dividend income is recognised when the right to receive the payment is established.

(iv) Net Trading Gain (Loss)

Net trading (loss) gain comprises gains and losses related to trading assets and liabilities, non-trading derivatives held for risk management purposes that do not form part of qualifying hedging relationships, financial assets and financial liabilities designated as at fair value through profit or loss, and non-trading assets mandatorily measured at fair value through profit or loss. The line item includes fair value changes, interest, dividends and foreign exchange differences.

Cash and Cash Equivalents

"Cash and cash equivalents" as referred to in the cash flow statement comprises balances with original maturities of a period of three months or less including cash and balances with central banks, deposits with banks and financial institutions, deposits due to banks and financial institutions, and repurchase and reverse repurchased agreements.

Property and Equipment

"Property and equipment", except for land and buildings, is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognised since the date of revaluation. Valuations are performed by internal or external valuers with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the real estate revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated using straight line method to write down the cost of property and equipment to their residual value over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

• Buildings	40-50 years
• Freehold improvements	5-10 years
• Leasehold improvements	5-10 years
• Motor vehicles	5-7 years
• Office equipment and computer hardware	5-10 years
• Office machinery and furniture	10 years

Any item of property and equipment and any significant part initially recognised are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognised.

Intangible Assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite of indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

The Group does not have intangible assets with indefinite economic life.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

• Computer software	5 years
• Key money	70 years

Assets obtained in Settlement of Debt, Assets Held for Sale and Discontinued Operations

Assets obtained in settlement of debt and assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, Management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Property, plant and equipment, and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

A discontinued operation is a component of an entity that has either been disposed of or is classified as held for sale, and: a) represents a separate major line of business or geographical area of operations; b) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resale.

In the consolidated income statement of the reporting period and of the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the loss of control. The resulting profit or loss (after taxes) is reported separately in the income statement.

Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years.

A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions for Risks and Charges

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Group determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Lebanon and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosures in its financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents.

Pensions and Other Post-employment Benefits

The Group provides retirement benefits obligations to its employees under defined benefit plans, which requires contributions to be made to separately administered funds. The cost of providing these benefits is determined using the projected unit credit method which involves making actuarial assumptions about discount rates and future salary increases. Those assumptions are unbiased and mutually compatible.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling excluding net interest, and the return on plan assets (excluding net interest), are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:
- The date of the plan amendment or curtailment; and
- The date that the Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under "personnel expenses" in consolidated statement of income:
- Service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements.
- Net interest expense or income.

Taxes

Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

(i) Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred Tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Current tax and deferred tax relating to items recognised directly in other comprehensive income are also recognised in other comprehensive income and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Dividends on Common Shares

Dividends on common shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Treasury Shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (Treasury shares) are deducted from equity and accounted for at cost. Consideration paid or received on the purchase sale, issue or cancellation of the Group's own equity instruments is recognised directly in equity. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Group holds own equity instruments on behalf of its clients, those holdings are not included in the Group's consolidated statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

Assets under Management and Assets Held in Custody and under Administration

The Group provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets held in trust, under management or under custody or under administration, are not treated as assets of the Group and, accordingly, are recorded as off-balance sheet items.

Customers' Acceptances

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the statement of financial position for the same amount.

2.6. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires Management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, Management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements:

Going Concern

Notwithstanding the events and conditions disclosed in Note 1, these financial statements have been prepared based on the going concern assumption. The Board of Directors believe that they are taking all the measures available to maintain the viability of the Group and continue its operations in the current business and economic environment.

Impairment of Goodwill

Management's judgment is required in estimating the future cash flows of the CGUs. These values are sensitive to cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the term sustainable pattern of cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement for resulting forecasts to be compared with actual performance and verifiable economic data in future years, the cash flow forecasts necessarily and appropriately reflect Management's view of future business prospects.

Business Model

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice.
- How management evaluates the performance of the portfolio.
- Whether Management's strategy focuses on earning contractual interest revenues.
- The degree of frequency of any expected asset sales.
- The reason for any asset sales, and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual Cash Flows of Financial Assets

The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding, and so may qualify for amortised cost measurement. In making the assessment, the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Hedge Accounting

The Group's hedge accounting policies include an element of judgment and estimation. Estimates of future interest rates and the general economic environment will influence the availability and timing of suitable hedged items, with an impact on the effectiveness of the hedge relationships. Details of the Group's hedge accounting policies and the sensitivities most relevant to risks are disclosed in these Notes.

The Group applies temporary reliefs which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of IBOR reform.

Determining the Lease Term of Contracts with Renewal and Termination Options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise or not the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. a change in business strategy).

The Group included the renewal period as part of the lease term for leases of head offices and branches due to the significance of these assets to its operations. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, estimation is required to establish fair values. The judgments and estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty) funding value adjustments, correlation and volatility.

Impairment Losses on Financial Instruments

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of models with a number of underlying assumptions regarding the choice of variable inputs. Components of the ECL models that are considered accounting judgments and estimates include:

- The Group's internal credit rating model.
- The Group's criteria for assessing if there has been a significant increase in credit risk.
- The segmentation of financial assets when their ECL is assessed on a collective basis.
- Development of ECL models, including the various formulas and the choice of inputs.
- Determination of associations between macroeconomic scenarios and economic inputs and their impact on ECL calculation.
- Selection of forward-looking macroeconomic scenarios and their probability of occurrence, to derive the ECL models.

As per internal policy, the Group regularly reviews its models in the context of actual loss experience and adjusts when necessary.

Impairment of Non-financial Assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group.

Revaluation of Property and Equipment

The Group carries its land and buildings and building improvements at fair value, with changes in fair value being recognised in other comprehensive income. These are valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The Group engaged an independent valuation specialist to assess fair values for property and equipment. The key assumptions used to determine the fair value of the properties and sensitivity analyses are provided in Note 26.

Pensions Obligation

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are highly sensitive to changes in these assumptions.

Leases – Estimating the Incremental Borrowing Rate

The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.7. CORRECTION RELATED TO PRIOR YEARS DURING 2022

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

3.0. SEGMENT REPORTING

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

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

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

BUSINESS SEGMENTS

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

Corporate and Commercial Banking

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

Retail and Personal Banking

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

Treasury and Capital Markets

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

Group Functions and Head Office

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

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

Net Operating Income Information

	2023				
	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	**902,130**	**1,939,931**	**2,392,440**	**70,109**	5,304,610
Non-interest income					
Net fee and commission	730,709	937,946	68,626	76,830	1,814,111
Financial operations	(1,362)	109,009	1,589,852	(273,431)	1,424,068
Share of gain of associates	-	-	-	10,177	10,177
Other operating income	2,051	60,156	156	13,678	76,041
Total non-interest income	**731,398**	**1,107,111**	**1,658,634**	**(172,746)**	3,324,397
Total operating income	**1,633,528**	**3,047,042**	**4,051,074**	**(102,637)**	8,629,007
Net impairment on financial assets	(514,030)	213,270	(2,199,815)	-	(2,500,575)
Net operating income	**1,119,498**	**3,260,312**	**1,851,259**	**(102,637)**	6,128,432

	2022 Restated				
	Corporate and Commercial Banking LBP Million	Retail and Personal Banking LBP Million	Treasury and Capital Markets LBP Million	Group Functions and Head Office LBP Million	Total LBP Million
Net interest income	223,127	451,578	908,897	16,425	1,600,027
Non-interest income					
Net fee and commission expense	140,206	139,717	(536,600)	11,754	(244,923)
Financial operations	(50)	17,778	(997,684)	(220,966)	(1,200,922)
Share of loss of associates	-	-	-	(222)	(222)
Other operating income	92	3,383	284	7,375	11,134
Total non-interest expense	140,248	160,878	(1,534,000)	(202,059)	(1,434,933)
Total operating income	363,375	612,456	(625,103)	(185,634)	165,094
Net recovery on financial assets	141,453	152,428	36,232	-	330,113
Net operating income	504,828	764,884	(588,871)	(185,634)	495,207

Financial Position Information

	2023				
	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	-	-	-	141,155	141,155
Total assets	6,702,532	21,095,604	182,469,008	25,677,952	235,945,096
Total liabilities	20,697,581	176,162,975	7,031,034	9,087,327	212,978,917

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

Capital expenditures amounting to LBP 118,819 million for the year 2023 (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 3,753,359 million for the year 2023 (2022: LBP 1,644,046 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:

	2023 LBP Million	2022 Restated LBP Million
Interest and similar income		
Central Bank of Lebanon	3,616,199	1,506,795
Lebanese sovereign	137,160	137,251
	3,753,359	1,644,046

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

	2023			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	**4,157,268**	**92,421**	**1,054,921**	5,304,610
Non-interest income				
Net fee and commission	1,235,976	60,446	517,689	1,814,111
Financial operations	1,458,122	5,356	(39,410)	1,424,068
Share of gain of associates	10,177	-	-	10,177
Other operating income	72,365	98	3,578	76,041
Total non-interest income	**2,776,640**	**65,900**	**481,857**	3,324,397
Total external operating income	**6,933,908**	**158,321**	**1,536,778**	8,629,007
Net impairment on financial assets	(2,303,914)	(22,824)	(173,837)	(2,500,575)
Net external operating income	**4,629,994**	**135,497**	**1,362,941**	6,128,432

	2022 Restated			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Net interest income	1,541,589	5,600	52,838	1,600,027
Non-interest income				
Net fee and commission expense	(309,128)	7,570	56,635	(244,923)
Financial operations	(1,166,292)	241	(34,871)	(1,200,922)
Share of loss of associates	(222)	-	-	(222)
Other operating income	9,750	431	953	11,134
Total non-interest expense	(1,465,892)	8,242	22,717	(1,434,933)
Total external operating income	75,697	13,842	75,555	165,094
Net recovery on financial assets	301,705	(8,075)	36,483	330,113
Net external operating income	377,402	5,767	112,038	495,207

Financial Position Information

	2023			
	Lebanon LBP Million	MENAT LBP Million	Europe LBP Million	Total LBP Million
Capital expenditures	92,636	4,034	22,149	118,819
Investments in associates	141,155	-	-	141,155
Total assets	196,875,648	2,268,480	36,800,968	235,945,096
Total liabilities	182,348,277	1,175,798	29,454,842	212,978,917

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

Segment reporting assets and liabilities as at 31 December 2023 do not include those held for sale and amounting to LBP 42,541,256 million and LBP 39,430,857 million respectively.

4.0. INTEREST AND SIMILAR INCOME

	2023 LBP Million	2022 Restated LBP Million
Balances with central banks	2,955,102	1,304,262
Due from banks and financial institutions	985,363	30,113
Loans to banks and financial institutions and reverse repurchase agreements	-	35
Loans and advances to customers at amortised cost	1,047,810	185,985
Loans and advances to related parties at amortised cost	3,619	682
Financial assets classified at amortised cost	1,028,261	345,740
Debt instruments classified at fair value through other comprehensive income	4,759	371
	6,024,914	1,867,188

Withholding taxes amounting to LBP 381,779 million were deducted from interest and similar income (2022: LBP 165,096 million).

The components of interest and similar income from loans and advances to customers at amortised cost are detailed as follows:

	2023 LBP Million	2022 Restated LBP Million
Corporate and SME	500,683	112,929
Retail and Personal Banking	547,127	73,056
	1,047,810	185,985

The components of interest and similar income from financial assets classified at amortised cost are detailed as follows:

	2023 LBP Million	2022 Restated LBP Million
Lebanese sovereign and Central Bank of Lebanon	927,292	335,890
Other sovereign	11,690	1,063
Private sector and other securities	89,279	8,787
	1,028,261	345,740

The components of interest and similar income from financial assets classified at fair value through other comprehensive income are detailed as follows:

	2023 LBP Million	2022 Restated LBP Million
Other sovereign	2,747	237
Private sector and other securities	2,012	134
	4,759	371

5.0. INTEREST AND SIMILAR EXPENSE

	2023 LBP Million	2022 Restated LBP Million
Due to central banks	45,324	75,618
Due to banks and financial institutions	35,067	1,238
Customers' deposits	305,218	149,010
Deposits from related parties	927	505
Debt issued and other borrowed funds	332,266	40,605
Lease liabilities	1,502	185
	720,304	267,161

The components of interest and similar expense from customers' deposits are detailed as follows:

	2023 LBP Million	2022 Restated LBP Million
Corporate and SME	45,206	5,940
Retail and Personal Banking	259,609	143,068
Public Sector	403	2
	305,218	149,010

6.0. FEE AND COMMISSION INCOME

	2023 LBP Million	2022 Restated LBP Million
Credit-related fees and commissions	39,484	18,309
Brokerage and custody income	497,507	59,029
Commercial banking income	1,193,062	198,170
Electronic banking	86,864	36,615
Trade finance income	99,149	13,590
Corporate finance fees	551	80
Trust and fiduciary activities	26,861	2,184
Insurance brokerage income	403	1,534
Other fees and commissions	10,815	3,032
	1,954,696	332,543

7.0. FEE AND COMMISSION EXPENSE

	2023 LBP Million	2022 Restated LBP Million
Mark-up commission*	-	2,028
Commission for LBP banknotes**	-	545,036
Electronic banking	42,388	13,902
Brokerage and custody fees	77,051	11,726
Commercial Banking expenses	14,580	2,377
Other fees and commissions	6,566	2,397
	140,585	577,466

(*) In order to build up offshore liquidity, the Group introduced the "multiplier factor" which entails inciting depositors of foreign currency international liquidity, cash deposited or incoming border transfers to convert these funds into local foreign currency deposits after the application of multiplier factors starting 2020. Book losses from these transactions amounted to LBP 2,028 million during 2022 and were recorded under commission expense.

(**) In order to service customers need in LBP-denominated banknotes during periods of shortage, during 2022, the Bank paid a premium for the supply of LBP-denominated banknotes amounting to LBP 545,036 million recorded under commission expense.

8.0. NET TRADING GAIN (LOSS)

	2023 LBP Million	2022 Restated LBP Million
Loss on financial instruments at fair value through profit or loss	(139,600)	(16,398)
Foreign exchange	(134,657)	30,849
Derivatives	307,502	155,821
Loss resulting from exchange of foreign currencies*	(753,226)	(1,399,482)
Gain from devaluation of official exchange rates **	2,154,110	-
Dividends	999	336
	1,435,128	(1,228,874)

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 5,099 million during 2023 (2022: LBP 4,657 million).

** During 2023 and 2022, and in order to manage its USD/LBP FX position, the Group engaged in the following transactions:*
- On 11 November 2021, the Bank obtained the approval of the Central Bank of Lebanon to discontinue selling the latter the local foreign currencies purchased through the application of Basic Circular 151. During 2022, these transactions resulted in a loss of LBP 1,732,466 million recorded in the consolidated statement of comprehensive income (loss).
- During 2022, the Bank purchased from its customers local foreign currencies at rates below the rate specified in Basic Circular 151, which resulted in a loss of LBP 491,170 million recorded in the consolidated statement of comprehensive income (loss).
- During 2022, the Bank bought from the Central Bank of Lebanon USD 159 million in local Dollar at a rate of LBP 8,000 which resulted in a loss of LBP 1,032,307 million recorded in the consolidated income statement.
- During 2023, the Bank bought fresh dollars from customers at Sayrafa average rates to cover external committed expenses. These transactions resulted in a loss of LBP 675,765 million recorded in the consolidated income statement (2022: LBP 173,049 million).
- During 2023, certain subsidiaries also engaged into exchanges of foreign currencies subject to de-facto controls at rates different from the official published exchange rate, which resulted in a loss of LBP 77,461 million recorded in the consolidated income statement (2022: LBP 194,126 million).

*** 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 which resulted in a gain of LBP 2,154,110 million million recorded in the consolidated income statement.*

9.0. NET GAIN (LOSS) ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST

The Group derecognises some debt instruments classified at amortised cost for the purpose of currency risk management.
The schedule below details the losses arising from the derecognition of these financial assets:

	2023 LBP Million	2022 Restated LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	(27)	(10,387)
Time deposits	-	1,753
Eurobonds	2,343	37,947
	2,316	29,313
Other sovereign		
Governmental bills	(10,830)	-
	(10,830)	-
Private sector and other securities		
Corporate debt instruments	(2,553)	(1,490)
	(2,553)	(1,490)
	(11,067)	27,823

10.0. OTHER OPERATING INCOME

	2023 LBP Million	2022 Restated LBP Million
Safe rental	30,036	1,849
Release of provision for risks and charges (Note 37)	9	6
Release of provision for end of service indemnities (Note 37)	837	175
Other income	45,159	9,104
	76,041	11,134

11.0. NET IMPAIRMENT LOSS (RECOVERY) ON FINANCIAL ASSETS

	2023 LBP Million	2022 Restated LBP Million
Re-measurements:		
Cash and balances with central banks	452,629	7,869
Due from banks and financial institutions	34,549	-
Loans to banks and financial institutions and reverse repurchase agreements	-	(4,101)
Loans and advances to customers at amortised cost	236,185	(209,971)
Loans and advances to related parties at amortised cost	8	(21)
Financial assets at amortised cost	1,713,114	(40,501)
Financial guarantees and other commitments	1,126	-
	2,437,611	(246,725)
Recoveries:		
Loans and advances to customers at amortised cost	(199,921)	(81,556)
Financial guarantees and other commitments	(923)	(613)
	(200,844)	(82,169)
Net direct losses (recoveries)	263,808	(1,219)
	2,500,575	(330,113)

12.0. PERSONNEL EXPENSES

	2023 LBP Million	2022 Restated LBP Million
Salaries and related benefits	1,394,414	363,226
Social security contributions	173,527	43,967
End-of-service benefits (Note 37)	383,266	15,945
Transportation	138,847	46,613
Schooling	107,723	38,369
Medical expenses	70,799	24,636
Food and beverage	1,243	610
Training and seminars	2,872	844
Others	91,604	19,460
	2,364,295	553,670

13.0. OTHER OPERATING EXPENSES

	2023 LBP Million	2022 Restated LBP Million
Rental charges under operating leases	50,787	15,975
Professional fees	276,730	29,826
Board of Directors' fees	19,711	1,634
Advertising fees	46,029	21,242
Taxes and similar disbursements	71,691	10,516
Outsourcing services	185,446	43,138
Premium for guarantee of deposits	10,583	10,682
Information technology	139,242	31,397
Donations and social aids	8,101	7,800
Provisions for risks and charges (Note 37)	2,556,577	122,666
Travel and related expenses	30,459	5,697
Telephone and mail	26,702	7,185
Electricity, water and fuel	332,303	150,491
Maintenance	88,487	37,507
Insurance premiums	97,639	4,296
Facilities services	114,616	23,643
Subscription to communication services	32,454	4,983
Office supplies	9,318	5,427
Receptions and gifts	2,736	716
Electronic cards expenses	30,410	4,781
Regulatory charges	26,848	7,277
Hospitalisation and medical care	44,961	50,128
Documentation and miscellaneous subscriptions	8,225	2,424
Others	42,992	9,699
	4,253,047	609,130

14.0. INCOME TAX

The components of income tax expense for the year ended 31 December are detailed as follows:

	2023 LBP Million	2022 Restated LBP Million
Current tax		
Current income tax	264,289	13,380
Other taxes treated as income tax	237	227
	264,526	13,607
Deferred tax		
Relating to origination and reversal of temporary differences	(15,520)	(138)
	249,006	13,469

The components of operating loss before tax, and the differences between income tax expense reflected in the financial statements and the calculated amounts, are shown in the table below:

	2023 LBP Million	2022 Restated LBP Million
Operating loss before tax from continuing operations	(741,486)	(721,346)
At applicable tax rate	82,622	(102,092)
Non-deductible expenses:		
Non-deductible expenses and losses for carry forward	535,929	11,826
Non-deductible provisions	152,557	1,331
Unrealised losses on financial instruments	15,871	18,170
Carried forward losses	-	173,603
Other non-deductibles	458,685	23,273
	1,163,042	228,203
Income not subject to tax:		
Revenues previously subject to tax	7,114	59,501
Provision recoveries previously subject to tax	-	54
Carried forward Losses	761,436	-
Exempted revenues	1,984	-
Unrealised gains on financial instruments	127,893	31,813
Other deductibles	82,948	21,363
	981,375	112,731
Income tax	264,290	13,380
Effective income tax rate	(35.64%)	(1.85%)

The tax rates applicable to the parent and subsidiaries vary from 10% to 25% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense, and are based on the current understanding of the existing tax laws and regulations and tax practices.

The movement of current tax liabilities during the year is as follows:

	2023 LBP Million	2022 LBP Million
Balance at 1 January	28,996	6,614
Charges for the year	264,526	13,607
Charges related to discontinued operations	49,697	73,117
Transfer to tax regularisation accounts	(14,323)	(2,572)
Other transfers	34	-
	299,934	84,152
Less taxes paid:		
Current year tax liability	-	(2,678)
Prior year tax liabilities	(38,109)	(3,291)
Taxes paid related to discontinued operations	(67,093)	(45,892)
	(105,202)	(51,861)
Foreign exchange difference	45,475	(9,909)
Balance at 31 December	269,203	28,996

Deferred taxes recorded in the consolidated statement of financial position result from the following items:

	2023					
	Deferred Tax Assets LBP Million	Deferred Tax Liabilities LBP Million	Income Statement from Continuing Operations LBP Million	Income Statement from Discontinuing Operations LBP Million	Other Comprehensive Income from Continuing Operations LBP Million	Other Comprehensive Income from Discontinuing Operations LBP Million
Provisions	-	-	-	(5,649)	-	-
Impairment allowance on financial assets	69,972	-	63,075	124,575	-	-
Financial instruments at FVTOCI	511	274,181	-	-	(270,754)	121,671
Difference in depreciation rates	5,214	1,058	347	-	-	-
Defined benefit obligation	22,490	(59,736)	-	-	46,154	6,544
Revaluation of real estate	-	94,574	-	-	(534,872)	-
Cash flow hedge reserve	-	-	-	-	-	(9,552)
Other temporary differences	-	749	(47,902)	(91,677)	-	-
	98,187	**310,826**	**15,520**	**27,249**	**(759,472)**	**118,663**

	2022 Restated					
	Deferred Tax Assets LBP Million	Deferred Tax Liabilities LBP Million	Income Statement from Continuing Operations LBP Million	Income Statement from Discontinuing Operations LBP Million	Other Comprehensive Income from Continuing Operations LBP Million	Other Comprehensive Income from Discontinuing Operations LBP Million
Provisions	17,868	-	(17)	14,133	-	-
Impairment allowance on financial assets	34,575	-	-	27,013	-	-
Financial instruments at FVTOCI	(4,230)	1,906	-	-	(2,344)	(20,010)
Difference in depreciation rates	564	1,783	(74)	(297)	-	-
Defined benefit obligation	6,087	(2,849)	-	-	(12,292)	1,031
Revaluation of real estate	-	99,457	-	-	(367,206)	-
Cash flow hedge reserve	1,799	-	-	-		1,478
Other temporary differences	532	-	229	9,543	-	-
	57,195	100,297	138	50,392	(381,842)	(17,501)

15.0. LOSS PER SHARE

Basic loss per share are calculated by dividing the loss for the year attributable to ordinary equity holders of the Bank by the weighted average number of common shares outstanding during the year. The Bank does not have arrangements that might result in dilutive shares. As such, diluted earnings per share was not separately calculated. The following table shows the income and share data used to calculate loss per share:

	2023 LBP Million	2022 Restated LBP Million
Loss attributable to equity holders of the Bank from continuing and discontinued operations	(233,195)	(673,985)
Loss attributable to equity holders of the Bank from continuing operations	(990,374)	(734,709)
Profit attributable to equity holders of the Bank from discontinued operations	757,179	60,724
Weighted average number of shares outstanding	587,338,495	587,354,463
	LBP	LBP
Basic and diluted loss per share	(397)	(1,147)
Basic and diluted loss per share from continuing operations	(1,686)	(1,250)
Basic and diluted earnings per share from discontinued operations	1,289	103

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorisation of these consolidated financial statements.

16.0. CASH AND BALANCES WITH CENTRAL BANKS

	2023 LBP Million	2022 LBP Million
Cash on hand	2,598,325	193,825
Central Bank of Lebanon		
Current accounts	45,604,026	2,717,665
Time deposits	96,950,795	10,231,308
Accrued interest	793,874	217,595
	143,348,695	13,166,568
Other central banks		
Current accounts	5,250,814	781,972
Time deposits	-	390,643
	5,250,814	1,172,615
	151,197,834	14,533,008
Less: allowance for expected credit losses (Note 53)	(2,728,114)	(228,454)
	148,469,720	14,304,554

During 2019, the Bank and the Central Bank of Lebanon signed a netting agreement for specified financial assets and liabilities that qualifies for netting under the requirements of IAS 32. As at 31 December 2023, time deposits with the Central Bank of Lebanon amounting to LBP 4,826,665 million (2022: LBP 5,443,000 million) and term borrowings from the Central Bank of Lebanon are reported on a net basis on the consolidated statement of financial position (Note 31).

As at 31 December 2023, financial assets and financial liabilities that were settled on a net basis amounted to LBP 4,428,224 million (2022: LBP 3,811,889 million) (Note 31).

Unamortised premiums on time deposits with the Central Bank of Lebanon amounted to LBP 85,711 million as at 31 December 2021 and were written off by an adjustment to retained earnings at 1 January 2022 as disclosed in Note 2.7. Time deposits as at 31 December 2023 and 2022 do not include any unamortized premiums.

Obligatory Reserves

- In accordance with the regulations of the Central Bank of Lebanon, banks operating in Lebanon are required to deposit with the Central Bank of Lebanon an obligatory reserve calculated on the basis of 25% of sight commitments and 15% of term commitments denominated in Lebanese Pounds. This is not applicable for investment banks which are exempted from obligatory reserve requirements on commitments denominated in Lebanese Pounds. Additionally, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon non-interest-bearing placements representing 14% of total deposits in foreign currencies regardless of nature.
- Subsidiary banks operating in foreign countries are also subject to obligatory reserve requirements determined based on the banking regulations of the countries in which they operate.

The following table summarises the Group's placements in central banks available against the obligatory reserves as of 31 December:

	2023			2022		
	Lebanese Pounds LBP Million	Foreign Currencies LBP Million	Total LBP Million	Lebanese Pounds LBP Million	Foreign Currencies LBP Million	Total LBP Million
Central Bank of Lebanon						
Current accounts	1,321,133	-	1,321,133	960,984	-	960,984
Time deposits	-	21,549,525	21,549,525	-	2,228,385	2,228,385
	1,321,133	21,549,525	22,870,658	960,984	2,228,385	3,189,369
Other central banks						
Current accounts	-	161,298	161,298	-	14,300	14,300
Time deposits	-	-	-	-	366,366	366,366
	-	161,298	161,298	-	380,666	380,666
	1,321,133	21,710,823	23,031,956	960,984	2,609,051	3,570,035

17.0. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2023 LBP Million	2022 LBP Million
Current accounts	8,596,395	1,123,369
Time deposits	16,115,876	1,885,103
Checks for collection	-	191
Accrued interest	172,428	8,574
	24,884,699	3,017,237
Less: allowance for expected credit losses (Note 53)	(36,713)	(471)
	24,847,986	3,016,766

As of 31 December 2023, due from banks and financial institutions include: (i) collaterals given to foreign banks for derivative transactions and trade finance amounting to nil and LBP 487,779 million respectively (2022: LBP 50,298 million and LBP 25,723 million respectively); (ii) amounts subject to seizure from litigations against the Bank of LBP 60,583 million (2022: LBP 4,450 million); and (iii) other restricted amounts of LBP 192,284 million (2022: LBP 19,653 million).

18.0. LOANS TO BANKS AND FINANCIAL INSTITUTIONS AND REVERSE REPURCHASE AGREEMENTS

	2023 LBP Million	2022 LBP Million
Loans and advances	-	193,884
Reverse repurchase agreements	-	8,068
Accrued interest	-	14,445
	-	216,397
Less: allowance for expected credit losses (Note 53)	-	-
	-	216,397

The Group purchased Turkish Treasury bills under a commitment to resell them (reverse repurchase agreements). The securities were not included in the consolidated statement of financial position as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan and amounted to LBP 8,068 million at 31 December 2022.

19.0. DERIVATIVE FINANCIAL INSTRUMENTS

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

FORWARDS AND FUTURES

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

OPTIONS

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

SWAPS

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

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

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

The Group has positions in the following type of derivatives:

31 December 2023	Positive Fair Value LBP Million	Negative Fair Value LBP Million	Notional Amount LBP Million
Derivatives held for trading			
Forward foreign exchange contracts	4,896	3,594	547,720
Forward precious metals contracts	100	1,158	54,723
Currency swaps	176,182	36,213	10,219,152
Precious metals swaps	1,877	2,500	199,652
Currency options	90,655	90,655	4,279,505
Credit derivatives	-	-	156,602
Equity options	178,817	178,817	352,286
	452,527	**312,937**	**15,809,640**
Derivatives held as cash flow hedge			
Interest rate swaps	-	-	-
	-	-	-
Total	**452,527**	**312,937**	**15,809,640**

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

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.

Cash Flow Hedges of Interest Rate Risk

As of 31 December 2023, interest rate swaps were held as hedging instrument against borrowing from banks and financial institutions for a notional amount of USD 10 million (equivalent to LBP 152,652 million), having maturities ranging between October 2025 and June 2026 and paying an average fixed interests rate of 25.15%. for calculating hedge ineffectiveness, change in fair value of the hedging instruments and the hedged items were a gain of LBP 18,509 million and LBP 18,509 million respectively (2022: loss of LBP 3,061 million and LBP 3,061 million respectively). Currency translation gains amounted to LBP 21,046 million (2022: losses of LBP 885 million). No ineffectiveness from these hedges was recognised in profit or loss as the hedging instrument and the hedge item are closely aligned.

Cash flow hedge reserves related to continued and discontinued hedges are LBP 4,586 million and nil respectively (2022: LBP 3,504 million and nil respectively). Gain on cash flow hedges reclassified to the income statement amounted to LBP 3,878 million (2022: LBP 601 million).

During 2023, derivatives held at cash flow hedge were transferred to assets held for sale, cash flow hedge reserves were transferred to reserves held for sale and gain on cash flow hedges were transferred to discontinued operations (Note 45).

20.0. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 LBP Million	2022 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Eurobonds	165,957	16,168
Other sovereign		
Treasury bills	2,321,096	126
Eurobonds	1,838	841
	2,322,934	967
Private sector and other securities		
Banks and financial institutions	1,509,348	199,805
Mutual funds	342,164	37,719
Equity instruments	18,137	2,086
	1,869,649	239,610
	4,358,540	256,745

21.0. LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST

	2023 LBP Million	2022 LBP Million
Corporate and SME	9,274,322	4,840,238
Retail and Personal Banking	10,213,628	1,870,506
Public sector	325,394	51,088
	19,813,344	6,761,832
Less: allowance for expected credit losses (Note 53)	(4,647,761)	(890,712)
	15,165,583	5,871,120

22.0. LOANS AND ADVANCES TO RELATED PARTIES AT AMORTISED COST

	2023 LBP Million	2022 LBP Million
Corporate and SME	7,222	616
Retail and Personal Banking	567,840	63,860
	575,062	64,476
Less: allowance for expected credit losses (Note 53)	(11)	(1)
	575,051	64,475

23.0. FINANCIAL ASSETS AT AMORTISED COST

	2023 LBP Million	2022 LBP Million
Lebanese sovereign and Central Bank of Lebanon		
Certificates of deposit	10,428,238	3,478,796
Treasury bills	2,048,052	2,049,587
Eurobonds	3,010,000	260,431
	15,486,290	5,788,814
Other sovereign		
Treasury bills	3,391,605	707,734
Eurobonds	465,142	125,626
Other governmental securities	-	53,584
	3,856,747	886,944
Private sector and other securities		
Banks and financial institutions debt instruments	1,581,458	398,394
Corporate debt instruments	1,116,385	137,088
	2,697,843	535,482
	22,040,880	7,211,240
Less: allowance for expected credit losses (Note 53)	(2,815,248)	(155,784)
	19,225,632	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 31 December 2023, certificates of deposit amounting to LBP 2,638,000 million (2022: the same) and term borrowings from the Central Bank of Lebanon are reported on a net basis on the consolidated statement of financial position. At 31 December 2023, Lebanese Treasury bills of LBP 1,979,141 million were pledged against term borrowings from the Central Bank of Lebanon (2022: the same) (Note 31). In addition, as at 31 December 2023, the Group, in agreement with credit-linked depositors, settled deposits amounting to USD 300 million in certificates of deposit with the Central Bank of Lebanon denominated in US Dollar having the same nominal amount (2022: USD 300 million) (Note 33).

24.0. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 LBP Million	2022 LBP Million
Debt instruments		
Other sovereign		
Treasury bills and bonds	118,268	868,073
Private sector and other securities		
Banks and financial institutions debt instruments	67,826	31,513
	186,094	899,586
Equity instruments		
Quoted	1,673,382	87,331
Unquoted	165,797	44,924
	1,839,179	132,255
	2,025,273	1,031,841

EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group classified the following instruments in private sector securities at fair value through other comprehensive income as it holds them for strategic reasons. The tables below list those equity instruments, dividends received, and the changes in fair value net of applicable taxes:

	2023		
	Fair Value LBP Million	Cumulative Changes in Fair Value LBP Million	Dividends LBP Million
Quoted	**1,673,382**	**1,320,851**	-
Holcim Liban sal	1,664,484	1,320,851	-
Other equity instruments	8,898	-	-
Unquoted:	**165,797**	**(59,260)**	7
Banque de l'Habitat sal	15,527	7,296	-
Other equity instruments	150,270	(66,556)	7
	1,839,679	1,261,591	7

	2022		
	Fair Value LBP Million	Cumulative Changes in Fair Value LBP Million	Dividends LBP Million
Quoted	87,331	11,667	-
Holcim Liban sal	87,155	11,667	-
Other equity instruments	176	-	-
Unquoted:	44,924	(2,574)	129
Banque de l'Habitat sal	15,527	7,296	-
Other equity instruments	29,397	(9,870)	129
	132,255	9,093	129

25.0. INVESTMENTS IN ASSOCIATES

	Country of Incorporation	Activity	**2023 Ownership %**	2022 Ownership %	**2023 LBP Million**	2022 LBP Million
CBS Holding sal	Lebanon	Services	45.54%	45.54%	141,155	14,359

INDIVIDUALLY MATERIAL ASSOCIATES

CBS Holding sal

The following table illustrates the summarised financial information of the Group's associate as at 31 December 2023 and 2022. The information disclosed reflects the amounts presented in the financial statements of the associate and the Group's share of those amounts.

	2023 CBS Holding sal LBP Million	2022 CBS Holding sal LBP Million
Current assets	534,255	35,870
Non-current assets	59,966	6,296
Current liabilities	(432,993)	(25,877)
Non-current liabilities	(29,181)	(2,639)
Equity	132,047	13,650
Group's share of equity	60,134	6,216
Goodwill	81,021	8,143
	141,155	14,359
Revenues	532,995	42,112
Expenses	(510,648)	(42,600)
Profit (loss) for the year	22,347	(488)
	10,177	(222)

26.0. PROPERTY AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Land LBP Million	Buildings and Freehold Improvements LBP Million	Leasehold Improvements LBP Million	Motor Vehicles LBP Million	Office Equipment and Computer Hardware LBP Million	Office Machinery and Furniture LBP Million	Right-of-use LBP Million	Other LBP Million	**Total LBP Million**
Cost or revaluation:									
At 1 January 2023	2,086,685	5,529,682	71,494	463	168,260	82,721	54,852	9,328	8,003,485
Revaluation recognised in OCI	2,828,007	7,515,865	-	-	-	-	-	-	10,343,872
Revaluation adjustments	-	(168,630)	-	-	-	-	-	-	(168,630)
Additions	-	70,196	253	-	11,735	10,853	3,966	-	97,003
Movements related to discontinued operations, net	-	3,929	69,432	-	102,394	26,352	159,220	-	361,327
Transfer to assets held for sale	-	(4,668)	(79,841)	-	(118,900)	(29,558)	(181,195)	-	(414,162)
Disposals	-	(2,697)	(24)	-	(80)	(454)	(1,456)	-	(4,711)
Foreign exchange difference	-	726,074	51,850	2,259	106,474	38,325	119,436	90,105	1,134,523
At 31 December 2023	**4,914,692**	**13,669,751**	**113,164**	**2,722**	**269,883**	**128,239**	**154,823**	**99,433**	**19,352,707**
Depreciation:									
At 1 January 2023	-	30,600	63,620	436	154,312	72,108	28,178	7,463	356,717
Revaluation adjustments	-	(168,630)	-	-	-	-	-	-	(168,630)
Depreciation during the year	-	215,868	732	99	7,771	2,727	15,759	1	242,957
Depreciation related to discontinued operations	-	106	12,709	-	19,313	132	57,427	-	89,687
Disposals	-	(2,548)	(24)	-	(101)	(384)	(442)	-	(3,499)
Movements related to discontinued operations, net	-	-	34,496	-	48,677	14,218	7,131	-	104,522
Transfer to assets held for sale	-	(1,043)	(54,614)	-	(78,120)	(16,773)	(72,925)	-	(223,475)
Foreign exchange difference	-	138,442	44,890	2,031	101,404	36,470	32,069	74,757	430,063
At 31 December 2023	**-**	**212,795**	**101,809**	**2,566**	**253,256**	**108,498**	**67,197**	**82,221**	**828,342**
Net book value:									
At 31 December 2023	**4,914,692**	**13,456,956**	**11,355**	**156**	**16,627**	**19,741**	**87,626**	**17,212**	**18,524,365**

	Land LBP Million	Buildings and Freehold Improvements LBP Million	Leasehold Improvements LBP Million	Motor Vehicles LBP Million	Office Equipment and Computer Hardware LBP Million	Office Machinery and Furniture LBP Million	Right-of-use LBP Million	Other LBP Million	**Total LBP Million**
Cost or revaluation:									
At 1 January 2022	158,282	390,555	74,044	618	170,485	83,260	53,585	9,388	940,217
Revaluation recognised in OCI	1,928,378	5,149,408	-	-	-	-	-	-	7,077,786
Revaluation adjustments	-	(25,969)	-	-	-	-	-	-	(25,969)
Additions	-	16,853	1,907	-	5,679	1,605	12,137	-	38,181
Transfer	25	5,921	-	-	-	-	-	-	5,946
Disposals	-	(5,687)	(590)	(149)	(2,331)	(917)	(3,422)	-	(13,096)
Foreign exchange difference	-	(1,399)	(3,867)	(6)	(5,573)	(1,227)	(7,448)	(60)	(19,580)
At 31 December 2022	2,086,685	5,529,682	71,494	463	168,260	82,721	54,852	9,328	8,003,485
Depreciation:									
At 1 January 2022	-	28,966	65,689	579	151,735	72,179	24,345	7,513	351,006
Revaluation adjustments	-	(25,969)	-	-	-	-	-	-	(25,969)
Depreciation during the year	-	31,886	132	10	6,927	1,333	4,717	-	45,005
Depreciation related to discontinued operations	-	17	1,206	-	1,815	21	4,613	-	7,672
Disposals	-	(4,171)	(549)	(149)	(2,207)	(720)	(2,620)	-	(10,416)
Transfer	-	-	-	-	(223)	223	-	-	-
Foreign exchange difference	-	(129)	(2,858)	(4)	(3,735)	(928)	(2,877)	(50)	(10,581)
At 31 December 2022	-	30,600	63,620	436	154,312	72,108	28,178	7,463	356,717
Net book value:									
At 31 December 2022	2,086,685	5,499,082	7,874	27	13,948	10,613	26,674	1,865	7,646,768

Land and buildings with a carrying amount of LBP 17,317,297 million are subject to seizure and restriction on disposal (2022: LBP 7,358,401 million) (Note 57).

The Group has lease contracts for various items primarily comprising head offices and branches used in its operations. Leases of head offices and branches generally have lease terms between 1 and 30 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

REVALUATION OF LAND AND BUILDINGS

Fair value of the land and buildings and freehold improvements was determined using the market comparable method. The valuations have been performed by the valuer and are based on proprietary databases of prices of transactions for properties of similar nature, location and condition. As at the date of revaluation, the properties' fair values are based on valuations carried out by independent valuers accredited by the local regulators in the countries in which the properties are situated. Gain from level 3 revaluation of LBP 10,343,872 million in 2023 was recognised in other comprehensive income (2022: LBP 7,077,786 million).

SIGNIFICANT UNOBSERVABLE VALUATION INPUT

Description of valuation techniques used and key inputs to valuation of land and buildings:

	2023				2022	
	Valuation Technique	Significant Unobservable Inputs	Weighted Average(*)	Fair Value LBP Million	Weighted Average(*)	Fair Value LBP Million
Land:						
Lebanon	Market comparable method	Price per sqm	**LBP 130 million**	**4,914,692**	LBP 55 million	2,086,685
Buildings and freehold improvements:						
Lebanon	Market comparable method	Price per sqm	**LBP 155 million**	**12,869,482**	LBP 66 million	5,460,927
Switzerland	Market comparable method	Price per sqm	**LBP 270 million**	**800,268**	LBP 27 million	68,755

Lebanon
In accordance with the Central Bank of Lebanon's Intermediate Circular 659 issued on 20 January 2023, banks may revalue their properties in US Dollar and translate the revalued amount to LBP at the Sayrafa exchange rate at 31 December. The price above is based on the Sayrafa exchange rate of LBP 89,500 to the US Dollar (2022: LBP 38,000 to the US Dollar).

Switzerland
The above prices are based on the official exchange rate of LBP 15,000 to the US Dollar (2022: LBP 1,507.5 to the US Dollar).

Significant increase (decrease) in the estimated price per square meter in isolation would result in significantly higher (lower) fair value on a linear basis.

If land, buildings, and related improvements were measured using the cost model, the carrying amounts as of 31 December would have been as follows:

	2023	
	Land LBP Million	Buildings and Freehold Improvements LBP Million
Cost	64,666	1,068,195
Accumulated depreciation	-	(373,857)
Net book value	**64,666**	**694,338**

	2022	
	Land LBP Million	Buildings and Freehold Improvements LBP Million
Cost	64,666	447,292
Accumulated depreciation	-	(231,211)
Net book value	64,666	216,081

27.0. INTANGIBLE ASSETS

	Computer Software LBP Million	Other LBP Million	**Total LBP Million**
Cost:			
At 1 January 2023	189,237	29	189,266
Additions	21,816	-	21,816
Write offs	(18,279)	-	(18,279)
Movements related to discontinued operations, net	313,426	-	313,426
Transfer to assets held for sale	(343,863)	(29)	(343,892)
Foreign exchange difference	214,544	-	214,544
At 31 December 2023	**376,881**	-	376,881
Amortisation:			
At 1 January 2023	128,460	29	128,489
Amortisation during the year	20,627	-	20,627
Amortisation related to discontinued operations	58,906	-	58,906
Transfer to assets held for sale	(69,741)	(29)	(69,770)
Related to write offs	(16,721)	-	(16,721)
Foreign exchange difference	192,516	-	192,516
At 31 December 2023	**314,047**	-	314,047
Net book value:			
At 31 December 2023	**62,834**	-	62,834

	Computer Software LBP Million	Other LBP Million	Total LBP Million
Cost:			
At 1 January 2022	196,460	40	196,500
Additions	19,934	-	19,934
Write offs	(15,071)	-	(15,071)
Foreign exchange difference	(12,086)	(11)	(12,097)
At 31 December 2022	189,237	29	189,266
Amortisation:			
At 1 January 2022	130,584	40	130,624
Amortisation during the year	13,317	-	13,317
Amortisation related to discontinued operations	4,352	-	4,352
Related to write-offs	(13,510)	-	(13,510)
Foreign exchange difference	(6,283)	(11)	(6,294)
At 31 December 2022	128,460	29	128,489
Net book value:			
At 31 December 2022	60,777	-	60,777

28.0. ASSETS OBTAINED IN SETTLEMENT OF DEBT

The Group occasionally takes possession of assets in settlement of loans and advances. The Group is in the process of selling these assets. Gains or losses on disposal are recognised in the consolidated income statement for the year.

	2023			2022		
	Financial Instruments LBP Million	Properties LBP Million	**Total LBP Million**	Financial Instruments LBP Million	Properties LBP Million	Total LBP Million
Cost:						
At 1 January	1,813	167,972	169,785	1,813	136,234	138,047
Additions	-	-	-	-	130,917	130,917
Disposals	-	-	-	-	(83,544)	(83,544)
Movements related to discontinued operations, net	-	355,521	355,521	-	-	-
Transfer to assets held for sale	-	(420,453)	(420,453)	-	-	-
Foreign exchange difference	-	-	-	-	(15,635)	(15,635)
At 31 December	**1,813**	**103,040**	**104,853**	1,813	167,972	169,785
Impairment:						
At 1 January	-	6,385	6,385	-	6,385	6,385
At 31 December	-	**6,385**	**6,385**	-	6,385	6,385
Net book value:						
At 31 December	**1,813**	**96,655**	**98,468**	1,813	161,587	163,400

The carrying value of assets in settlement of debts include LBP 98,468 million in Lebanon as at 31 December 2023 (2022: same) based on historical costs at the official exchange rate of LBP 1,507.5 to the US Dollar; these are subject to seizure and restriction on disposal (Note 57).

29.0. OTHER ASSETS

	2023 LBP Million	2022 LBP Million
Advances on acquisition of property and equipment	8,994	17,369
Advances on acquisition of intangible assets	6,499	96
Prepaid charges	263,061	77,580
Electronic cards and regularisation accounts	34,191	3,845
Receivables related to non-banking operations	28,447	1,341
Advances to staff	13,572	8,212
Hospitalisation and medical care under collection	185	401
Interest and commissions receivable	2,987	265
Funds' management fees	586	53
Fiscal stamps, bullions and commemorative coins	11,510	1,024
Management and advisory fees receivable	2,901	279
Tax regularisation account	39,450	10,518
Other debtor accounts	740,314	132,458
Foreign exchange position	-	409,017
	1,152,697	662,458

Receivables from the Central Bank of Lebanon under Leverage Arrangements

Receivables from the Central Bank of Lebanon under leverage arrangements amounting to LBP 1,279,783 million as at 31 December 2021 were written off by an adjustment to accumulated losses in equity at 1 January 2022 as disclosed in Note 2.7. These were recorded in prior years against the following transactions:

On 27 September 2021, a debtor exercised a right granted in prior years, to set-off the outstanding loan balance against revenues deposited or to be deposited in its account consisting of an assigned share of cash flows from leverage arrangements entered into by the Group with the Central Bank of Lebanon. At the date of the exercise, the loan facility amounted to LBP 131,974 million and was offset against the transfer of the underlying present value of the debtor's share of the expected future cash flows from leverage arrangements, which was recorded as "receivables from the Central Bank of Lebanon under leverage arrangements" under other assets. Remaining balance related to this transaction amounted to LBP 118,678 million as at 31 December 2021 and was written off against an adjustment 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 Dollar. During 2020, time deposits were derecognised for the acquisition of certificates of deposit. In agreement with the credit-linked depositors, the Group settled deposits amounting to LBP 439,402 million in such certificates of deposit having the same nominal amount as at 31 December 2021 (Note 33). As a result, the Group recognised the present value of future cash flows from the corresponding leverage arrangements as "receivables from the Central Bank of Lebanon under leverage arrangements" against net trading (loss) gain. Remaining balance related to this transaction amounted to LBP 209,666 million as at 31 December 2021 and was written off against an adjustment 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 31 December 2023 resulted mainly from the application of Basic Circulars 159 and 151 and Intermediate Circular 556 (2022: same).

Other Debtor Accounts

Other debtor accounts as at 31 December 2021 include an amount of LBP 29,592 million related to a claim from insurance company on the damage of the Beirut Port Explosion, which was written off against an adjustment to retained earnings on 1 January 2022 (Refer to Note 2.7).

Other debtor accounts as at 31 December 2021 include an amount of LBP 565,995 million related to check issued against lawsuit (2022: LBP 56,882 million).

30.0. GOODWILL

	2023 LBP Million	2022 LBP Million
Cost:		
At 1 January	200,209	200,186
Foreign exchange difference	454,588	23
At 31 December	654,797	200,209
Impairment:		
At 1 January	157,767	157,767
At 31 December	157,767	157,767
Net book value:		
At 31 December	497,030	42,442

Testing goodwill for impairment involves a significant amount of judgment. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. The allocation is reviewed following business reorganisations. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. The Group performed its annual impairment test in December 2023 and 2022.

As at 31 December, the carrying amount of goodwill was allocated to the following CGUs:

	2023 LBP Million	2022 LBP Million
Private Banking – Switzerland	497,030	42,442

This CGUs does not carry on its statement of financial position any intangible assets with indefinite lives, other than goodwill.

RECOVERABLE AMOUNT

The Private Banking CGU in Switzerland is a separate legal entity offering Private Banking activities to its customers and is reported mainly under the Retail and Personal Banking business segment and the Europe geographical segment. The recoverable amount of this CGU was determined based on a value in use calculation using cash flow projections from financial budgets approved by Senior Management covering a five-year period, with a terminal growth rate of 2.00% (2022: 2.00%). The forecast cash flows were discounted at a pre-tax rate of 10.00% (2022: 10.00%). Based on these assumptions, the recoverable amount exceeds the carrying amount including goodwill by LBP 900,861 million (2022: LBP 51,658 million).

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS AND SENSITIVITY TO CHANGES IN ASSUMPTIONS

The calculation of value in use for the Private Banking – Switzerland CGU is most sensitive to interest rate margins, cost of equity and the projected growth rates used to extrapolate cash flows beyond the budget period.

The cost of equity assigned to an individual CGU and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk rate in the country concerned, and a premium to reflect the inherent risk of the business being evaluated. Projected terminal growth rates used are in line with, and do not exceed, the projected growth rates in GDP and inflation rate forecasts for the jurisdictional area where the operations reside.

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the units to exceed their recoverable amount. These are summarised in the table below which shows the details of the sensitivity of the above measures on the Group's CGU's value in use (VIU):

	Private Banking – Switzerland	
Interest margins	Interest margins are based on current fixed interest yields.	A decrease of 0.10% causes a decrease in the value in use by 0.16% (LBP 8,136 million) (2022: 0.26% (LBP 1,033 million)).
Cost of equity	The cost of equity is the return required for an investment to meet capital return requirements; it is often used as a capital budgeting threshold for required rate of return.	A decrease of 0.25% causes an increase in the value in use by 1.54% (LBP 77,642 million) (2022: 2.01% (LBP 8,067 million)).
Growth rate	Growth rate is the percentage change of the compounded annualised rate of growth of revenues, earnings, dividends and even including macro concepts such as GDP and the economy as a whole.	A decrease of 0.5% causes a decrease in the value in use by 1.97% (LBP 99,197 million) (2022: 2.71% (LBP 10,877 million)).

The following table presents the sensitivity of each input by showing the change required to individual current assumptions to reduce headroom to nil (breakeven) for the Private Banking CGU in Switzerland:

	2023	2022
Interest margin	(11.08%)	(5.33%)
Cost of equity	14.94%	11.15%
Growth rate	(6.66%)	(1.24%)

31.0. DUE TO CENTRAL BANKS

	2023 LBP Million	2022 LBP Million
Central Bank of Lebanon		
Subsidised loans	538,561	472,674
Term borrowings under leverage arrangements	1,979,141	1,979,141
Accrued interest	10,080	9,342
Other central banks		
Other borrowings	1,429	141
Repurchase agreements	-	272,669
	2,529,211	2,733,967

SUBSIDISED LOANS

As at 31 December 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 (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 2027 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 also those amounts that are covered by enforceable netting arrangements (financial collateral) but do not qualify for netting under the requirements of IAS 32 described in the accounting policies:

	2023 LBP Million	2022 LBP Million
Leverage arrangements		
Gross amounts	9,443,806	10,060,141
Amounts offset against[1]		
Placement with the Central Bank of Lebanon (Note 16)	4,826,665	5,443,000
Certificates of deposit with the Central Bank of Lebanon (Note 23)	2,638,000	2,638,000
Net amounts reported on the statement of financial position	1,979,141	1,979,141
Financial collateral		
Lebanese Treasury bills (Note 23)	1,979,141	1,979,141
	1,979,141	1,979,141

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

As at 31 December 2023, financial assets and financial liabilities that were settled on a net basis amounted to LBP 4,428,224 million (2022: LBP 3,811,889 million) (Note 16).

REPURCHASE AGREEMENTS

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

	2023 LBP Million	2022 LBP Million
Financial assets at amortised cost – Non-Lebanese governmental bonds	-	85,734
Financial assets at fair value through comprehensive income – Non-Lebanese governmental bonds	-	231,450

32.0. DUE TO BANKS AND FINANCIAL INSTITUTIONS AND REPURCHASE AGREEMENTS

	2023 LBP Million	2022 LBP Million
Current accounts	1,513,085	208,136
Term loans	1,311,364	216,919
Time deposits	2,298	157,294
Accrued interest	12	1,136
	2,826,759	583,485
Repurchase agreements	-	49,799
	2,826,759	633,284

Included in term loans above an amount of LBP 1,311,364 million (2022: LBP 208,878 million) representing loans granted from various supranational entities for the purpose of financing small and medium-size enterprises in the private sector, with annual interest rates at 0.00% (2022: 2.25% to 4.40%).

During 2021, in light of the social, economic and banking sector conditions in Lebanon and the impending government reform program, certain lenders have agreed on a voluntary basis and at the request of the Bank, to amend certain terms of their loan agreements, amongst others, the repayment schedule and the maturity date. Remaining balance of these loans amounted to LBP 1,311,364 million as at 31 December 2023 (2022: LBP 156,061 million).

REPURCHASE AGREEMENTS

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

	2023 LBP Million	2022 LBP Million
Financial assets at fair value through comprehensive income – Non-Lebanese governmental bonds	-	53,316

33.0. CUSTOMERS' DEPOSITS

	2023			
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Public Sector LBP Million	Total LBP Million
Sight deposits	14,245,892	99,543,713	263,699	114,053,304
Time deposits	4,305,007	70,631,536	931,291	75,867,834
Saving accounts	-	-	-	-
Margins on LCs and LGs	536,733	70,140	-	606,873
Other margins	5,840	-	-	5,840
Other deposits	9,016	222,754	-	231,770
Bankers' draft	-	3,410,558	-	3,410,558
	19,102,488	173,878,701	1,194,990	194,176,179
Deposits pledged as collateral				6,955,767

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

Sight deposits include balances of bullion amounting to LBP 1,365,821 million (2022: LBP 145,711 million) which were carried at fair value through profit or loss.

Credit linked deposits are deposits whereby the principal is settled at maturity according to the full discretion of the Group either in cash or in Lebanese government Eurobonds. In agreement with such depositors, the Bank settled deposits amounting to USD 300 million in certificates of deposits with the Central Bank of Lebanon denominated in US Dollar and having the same nominal amount as at 31 December 2023 (2022: USD 300 million) (Note 23). Remaining credit linked deposits amounted to USD 10 million as at 31 December 2023 (2022: USD 10 million).

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

34.0. DEPOSITS FROM RELATED PARTIES

	2023		
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Total LBP Million
Sight deposits	375,744	246,423	622,167
Time deposits	5,983	671,656	677,639
Other deposits and margin accounts	15,419	4,331	19,750
	397,146	922,410	1,319,556
Deposits pledged as collateral			552,709

	2022		
	Corporate and SME LBP Million	Retail and Personal Banking LBP Million	Total LBP Million
Sight deposits	14,747	27,759	42,506
Time deposits	7,200	64,485	71,685
Other deposits and margin accounts	1,807	352	2,159
	23,754	92,596	116,350
Deposits pledged as collateral			57,925

35.0. DEBT ISSUED AND OTHER BORROWED FUNDS

	2023 LBP Million	2022 LBP Million
USD 116,560,000 due 19 April 2027 – 5.00%	1,736,160	160,257
USD 112,500,000 due 11 April 2024 – 6.55% + Telerate 6m	1,687,500	169,594
USD 37,500,000 due 11 April 2024 – 6.55% + Telerate 6m	562,500	56,531
USD 276,000,000 due 1 August 2027 – 7.625%	-	415,028
Accrued interests	76,970	22,033
	4,063,130	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.

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%	2023 LBP Million	2022 LBP Million
Nominal value	1,748,400	175,715
Upfront interest	(12,240)	(15,458)
	1,736,160	160,257

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

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

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

USD 112,500,000 Due 11 April 2024 – 6.55% + Telerate 6m and USD 37,500,000 Due 11 April 2024 – 6.55% + Telerate 6m
The principal amount of the loan (and any interest accrued but unpaid) will rank (i) junior in right of payment to the claims of the holders of unsecured and unsubordinated payment obligations of the Bank; (ii) paripassu with the claims of holders of all other subordinated indebtedness of the Bank and (iii) in priority to the claims of shareholders of the Bank, including in respect of cash contributions to capital. Following satisfaction of unsubordinated claims as aforesaid, the lender shall be entitled to receive and to retain any payment or distribution in respect of the loan and all other amounts outstanding on a paripassu basis with other subordinated indebtedness.

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

The Group determined that the matters disclosed in Note 1 will have an impact on the retained earnings and reserves leading to a need for recapitalisation, the amount of which has not been determined yet due to the high level of uncertainty of resulting from these matters. This matter is under objection by the lender. However, the Group believes it is in a strong position. As at 31 December 2023, deferred interest payable amounted to LBP 772,275 million and was recorded under "Other liabilities" (2022: LBP 51,382 million) (Note 36).

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

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

Finally, given the delays in issuing the needed banking restructuring law as one of the measures in dealing with the existing and persisting crisis in Lebanon, and the fact this subordinated debt was maturing on 11 April 2024, the Group communicated with the Central Bank of Lebanon the urgency in determining how to handle maturing subordinated debt. On 15 April 2024 the Central Bank of Lebanon communicated to the Group that the Central Council of the Central Bank of Lebanon finds not permissible any payment on the subordinated debt before banking restructuring law is issued which is being challenged by the lender.

USD 276,000,000 Due 1 August 2027 – 7.625%
On 1 August 2017, Odea Bank A.Ş. issued subordinated unsecured notes in the amount of USD 300 million to third parties. These notes mature on 1 August 2027 and pay semi-annual interest of 7.625%. The notes are listed on the Main Securities Market of the Irish Stock Exchange. Odea Bank A.Ş. shall repay the notes at maturity and may repay the notes in whole, but not in part (1) starting from the fifth anniversary of the subordinated debt issuance date, or (2) due to changes in BRSA regulation if the loan ceases to be treated as Tier 2 capital under the applicable BRSA regulation. As of 31 December 2021, the total amount bought back amounted to USD 24 million. Odea Bank A.Ş. has not redeemed or cancelled the shares in circulation, thus selling back any portion of such amounts at any time is completely at Management's discretion. During 2023, the notes were transfered to assets held for sale amounting to LBP 4,280,670 million (Note 45).

Cash and Non-cash Changes in Debt Issued and Other Borrowed Funds
Changes in debt issued and other borrowed funds during the year were as follows.

	2023 LBP Million	2022 LBP Million
Balance at 1 January	823,443	1,232,271
Termination	-	(346,948)
Interest expense	332,266	40,605
Up front interest	-	(18,068)
Result related to discontinued operations	377,523	37,247
Paid during the year	(328,787)	(42,398)
Movements related to assets held for sale	3,473,170	-
Deferred interest payable	-	(44,102)
Transfer to assets held for sale	(4,280,670)	-
Foreign exchange	3,666,185	(35,164)
Balance at 31 December	4,063,130	823,443

36.0. OTHER LIABILITIES

	2023 LBP Million	2022 LBP Million
Lease liabilities	102,371	25,697
Accrued expenses	426,652	68,732
Miscellaneous suppliers and other payables	8,606	20,261
Operational taxes	227,713	54,434
Employee accrued benefits	23,517	2,960
Electronic cards and regularisation accounts	50,691	37,517
Social security dues	25,686	9,372
Deferred interest payable (Note 35)	772,275	51,382
Other credit balances	764,516	135,466
	2,402,027	405,821

Set out below are the carrying amounts of lease liabilities and the movements during the year ended 31 December:

	2023 LBP Million	2022 LBP Million
Balance at 1 January	25,697	28,488
Additions	52,758	11,689
Termination	(21,871)	(413)
Interest expense	1,502	185
Result related to discontinued operations	29,592	2,668
Paid during the year	(19,115)	(12,102)
Paid related to discontinued operations	(57,427)	-
Transfer to assets held for sale	(83,083)	-
Foreign exchange	174,318	(4,818)
Balance at 31 December	102,371	25,697

37.0. PROVISIONS FOR RISKS AND CHARGES

	2023 LBP Million	2022 LBP Million
Provisions for risks and charges (a)	3,062,816	279,340
Provisions for ECL on financial guarantees and commitments (Note 53)	40,268	26,886
End-of-service benefits (b)	1,415,957	224,672
	4,519,041	530,898

A- PROVISIONS FOR RISKS AND CHARGES

	2023 LBP Million	2022 LBP Million
Provision for legal claims	55,237	12,872
Other provisions	3,007,579	266,468
	3,062,816	279,340

	2023 LBP Million	2022 LBP Million
Balance at 1 January	279,340	115,526
Add:		
Charge reflected under operating expenses (Note 13)	2,556,577	122,666
Other transfers	-	1,307
Less:		
Paid during the year	(118,637)	(6,018)
Net provisions recoveries (Note 10)	(9)	(6)
Movements related to discontinued operations, net	326,025	-
Write off	(5,173)	-
Result related to discontinued operations	(51,886)	57,314
Transfer to assets held for sale	(344,378)	-
Foreign exchange difference	420,957	(11,449)
Balance at 31 December	3,062,816	279,340

B- END-OF-SERVICE BENEFITS

Entities operating in Lebanon have two defined benefit plans covering all their employees. The first requires contributions to be made to the National Social Security Fund whereby the entitlement to and level of these benefits depend on the employees' length of service, as well as on the employees' salaries and contributions paid to the fund among other requirements. Under the second plan, no contributions are required to be made, however a fixed end-of-service lump sum amount should be paid for long service employees. The entitlement to and level of these end-of-service benefits provided depend on the employees' length of service, salaries and other requirements outlined in the Workers' Collective Agreement. The first plan described above also applies to non-banking entities operating in Lebanon. Defined benefit plans for employees at foreign subsidiaries and branches are set in line with the laws and regulations of the respective countries in which these subsidiaries are located. The movement of provision for staff retirement benefit obligations is as follows:

	2023		
	Lebanon LBP Million	Foreign Countries LBP Million	**Total LBP Million**
Balance at 1 January	**207,292**	**17,380**	224,672
Charge for the year (Note 12)	350,084	33,182	383,266
Results related to discontinued operations	-	12,226	12,226
Paid during the year	(14,029)	(38,013)	(52,042)
Actuarial gain on obligation – experience	583,835	5,276	589,111
Actuarial loss on obligation – economic assumptions	108,949	55,138	164,087
Movement related to discontinued operations, net	-	35,805	35,805
Provision no more required (Note 10)	-	(837)	(837)
Transfer to assets held for sale	-	(53,943)	(53,943)
Foreign exchange difference	-	113,612	113,612
Balance at 31 December	**1,236,131**	**179,826**	1,415,957

	2022		
	Lebanon LBP Million	Foreign Countries LBP Million	Total LBP Million
Balance at 1 January	130,343	26,267	156,610
Charge for the year (Note 12)	12,608	3,337	15,945
Results related to discontinued operations	-	793	793
Paid during the year	(1,979)	(2,157)	(4,136)
Actuarial gain on obligation – experience	66,495	(719)	65,776
Actuarial loss on obligation – economic assumptions	-	(11,939)	(11,939)
Actuarial loss on obligation – demographic assumptions	-	(160)	(160)
Movements related to discontinued operations, net	-	3,824	3,824
Provision no more required (Note 10)	(175)	-	(175)
Foreign exchange difference	-	(1,866)	(1,866)
Balance at 31 December	207,292	17,380	224,672

The charge for the year is broken down as follows:

	2023 LBP Million	2022 LBP Million
Current service cost	367,676	7,612
Interest on obligation	15,590	8,333
	383,266	15,945

The key assumptions used in the calculation of retirement benefit obligation are as follows:

	Lebanon		Switzerland	
	2023	2022	2023	2022
Economic assumptions				
Discount rate (p.a.)	14.00%	6.50%	1.40%	2.10%
Inflation rate (p.a.)	None	None	1.25%	1.25%
Salary increase (p.a.)				
Coming years:				
Employees	Financial support compensation	Financial support compensation	1.50%	1.50%
Senior Managers	Financial support compensation	Financial support compensation	1.50%	1.50%
Thereafter:				
Employees	None	4.00%	1.50%	1.50%
Senior Managers	None	4.00%	1.50%	1.50%
Expected annual rate of return on NSSF contributions	3.00%	3.00%	None	None
Expected future pension increases	None	None	1.50%	1.50%
Interest crediting rate	None	None	None	None
Treatment of bonus	None	None	None	None
Demographic assumptions				
Retirement age	Earliest of age 64 or completion of 20 contribution years	Earliest of age 64 or completion of 20 contribution years	Age 65 for men and 64 for women	Age 65 for men and 64 for women
Pre-termination mortality	None	None	BVG 2020 + 1.5%	BVG 2020 + 1.5%
Pre-termination turnover rates (age related with average of)	3.50% – 7.50%	3.50% – 7.50%	4.20% – 25.20%	4.20% – 25.20%

A quantitative sensitivity analysis for significant assumptions is shown as below:

	Discount Rate		Future Salary Increase		Cost of Living Adjustment(*)	
	% Increase LBP Million	% Decrease LBP Million	% Increase LBP Million	% Decrease LBP Million	50% Increase LBP Million	100% Increase LBP Million
Impact on net defined benefit obligation – 2023	**(16,518)**	**16,943**	**11,859**	**(11,629)**	**338,863**	**677,726**
Impact on net defined benefit obligation – 2022	(5,722)	6,418	4,291	(4,716)	201,751	306,919

(*) For Lebanon only.

Except for the cost of living adjustments, the sensitivity analysis above was determined based on a method that extrapolates the impact on the defined benefit obligation as a result of 25 basis point changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

38.0. SHARE CAPITAL AND ISSUE PREMIUM

SHARE CAPITAL

The share capital of Bank Audi sal as at 31 December is as follows:

	2023			2022		
	Number of Shares	Share Capital LBP Million	Issue Premium LBP Million	Number of Shares	Share Capital LBP Million	Issue Premium LBP Million
Common shares	588,538,215	982,859	902,290	588,538,215	982,859	902,290
Preferred shares series "H"	750,000	1,252	111,811	750,000	1,252	111,811
Preferred shares series "I"	2,500,000	4,175	372,700	2,500,000	4,175	372,700
Preferred shares series "J"	2,750,000	4,593	409,969	2,750,000	4,593	409,969
	6,000,000	10,020	894,480	6,000,000	10,020	894,480
	594,538,215	992,879	1,796,770	594,538,215	992,879	1,796,770

LISTING OF SHARES

	2023		2022	
	Stock Exchange	Number of Shares	Stock Exchange	Number of Shares
Ordinary shares	Beirut	468,898,454	Beirut	468,898,454
Global depository receipts	Beirut	119,639,761	Beirut	119,639,761
Preferred shares	Beirut	6,000,000	Beirut	6,000,000
		594,538,215		594,538,215

The Board of Directors has approved the delisting of the global depository receipts from the London SEAQ on 29 July 2020. The delisting became effective on 6 November 2020.

PREFERRED SHARES

1. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 15 April 2013, the Bank issued series "H" preferred shares under the following terms:

Preferred shares series "H"

- Number of shares:	750,000.
- Share's issue price:	USD 100.
- Share's nominal value:	LBP 1,299 (later became LBP 1,670 upon increasing the nominal value).
- Issue premium:	Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits:	Annual non-cumulative dividends of USD 4.5 per share for the year 2013, and USD 6.5 for each subsequent year.
- Repurchase right:	The Bank has the right to repurchase the shares in 7 years after issuance, as well as to call them off by that date.

The Extraordinary General Assembly of shareholders held on 21 June 2013 validated and ratified the capital increases according to the aforementioned terms for preferred shares series "H".

2. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 29 November 2016, the Bank issued preferred shares series "I" under the following terms:

Preferred shares series"I"

- Number of shares:	2,500,000.
- Share's issue price:	USD 100.
- Share's nominal value:	LBP 1,656 (later became LBP 1,670 upon increasing the nominal value).
- Issue premium:	Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits:	Annual non-cumulative dividends of USD 3 per share for the year 2016, and USD 7 for each subsequent year.
- Repurchase right:	The Bank has the right to repurchase the shares in 5 years after issuance, as well as to call them off by that date.
- Conversion:	Mandatorily convertible into 15 common shares in case: 1) common equity Tier 1 to risk-weighted assets falls below 66.25% of minimum required by the Central Bank of Lebanon; or 2) the Bank is deemed non-viable by the Central Bank of Lebanon without such a conversion.

The Extraordinary General Assembly of shareholders held on 21 December 2016 validated and ratified the capital increase according to the aforementioned terms.

3. Pursuant to the resolution of the Extraordinary General Assembly of shareholders held on 21 July 2017, the Bank issued preferred shares series "J" under the following terms:

Preferred shares series "J"

- Number of shares:	2,750,000.
- Share's issue price:	USD 100.
- Share's nominal value:	LBP 1,663 (later become LBP 1,670 upon increasing the nominal value).
- Issue premium:	Calculated in USD as the difference between USD 100 and the counter value of the par value per share based on the exchange rate at the underwriting dates.
- Benefits:	Annual non-cumulative dividends of USD 4 per share for the year 2017, and USD 7 for each subsequent year.
- Repurchase right:	The Bank has the right to repurchase the shares in 5 years after issuance, as well as to call them off by that date
- Conversion:	Mandatorily convertible into 15 common shares in case: 1) common equity Tier 1 to risk-weighted assets falls below 66.25% of minimum required by the Central Bank of Lebanon; or 2) the Bank is deemed non-viable by the Central Bank of Lebanon without such a conversion.

The Extraordinary General Assembly of shareholders held on 27 October 2017 validated and ratified the capital increase according to the aforementioned terms.

PAID DIVIDENDS

In accordance with Central Bank of Lebanon Intermediate Circular 567 and 616 and 676, no dividends were distributed from 2019, 2020, 2021 and 2022 profits.

39.0. CASH CONTRIBUTION TO CAPITAL

In previous years, agreements were entered between the Bank and its shareholders whereby the shareholders granted cash contributions to the Bank amounting to USD 48,150,000 (equivalent to LBP 72,586 million) subject to the following conditions:

- These contributions will remain as long as the Bank performs banking activities.
- If the Bank incurs losses and has to reconstitute its capital, these contributions may be used to cover the losses if needed.
- The shareholders have the right to use these contributions to settle their share in any increase of capital.
- No interest is due on the above contributions.
- The above cash contributions are considered as part of Tier 1 capital for the purpose of determining the Bank's capital adequacy ratio.
- The right to these cash contributions is for the present and future shareholders of the Bank.

40.0. NON-DISTRIBUTABLE RESERVES

	Legal Reserve LBP Million	Reserves Appropriated for Capital Increase LBP Million	Gain on Sale of Treasury Shares LBP Million	Reserve for General Banking Risks LBP Million	Unrealised Gain on Fair Value through Profit or Loss LBP Million	Reserve for Foreclosed Assets LBP Million	Other Reserves LBP Million	**Total LBP Million**
Balance at 1 January 2023	**633,836**	**39,955**	**6,640**	**18,327**	**14,835**	**11,406**	**1,804,256**	**2,529,255**
Appropriation of 2022 profits	6,099	-	-	-	-	-	-	6,099
Balance at 31 December 2023	**639,935**	**39,955**	**6,640**	**18,327**	**14,835**	**11,406**	**1,804,256**	**2,535,354**

	Legal Reserve LBP Million	Reserves Appropriated for Capital Increase LBP Million	Gain on Sale of Treasury Shares LBP Million	Reserve for General Banking Risks LBP Million	Unrealised Gain on Fair Value through Profit or Loss LBP Million	Reserve for Foreclosed Assets LBP Million	Other Reserves LBP Million	Total LBP Million
Balance at 1 January 2022	618,975	39,955	6,640	18,327	14,835	11,406	1,159,579	1,869,717
Appropriation of 2021 profits	14,861	-	-	-	-	-	-	14,861
Transfers between reserves	-	-	-	-	-	-	644,677	644,677
Balance at 31 December 2022	633,836	39,955	6,640	18,327	14,835	11,406	1,804,256	2,529,255

LEGAL RESERVE

The Lebanese Commercial Law and the Bank's articles of association stipulate that 10% of the net annual profits be transferred to legal reserve. In addition, subsidiaries and branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve is not available for dividend distribution.

The Group transferred to legal reserve an amount of LBP 6,099 million (2022: LBP 14,861 million) as required by the laws applicable in the countries in which they operate.

RESERVES APPROPRIATED FOR CAPITAL INCREASE

This amount represents the net gain on the disposal of fixed assets acquired in settlement of debt, in addition to reserves on recovered provisions for doubtful loans and debts previously written off, whenever recoveries exceed booked allowances.

GAIN ON SALE OF TREASURY SHARES

These gains arise from the Global Depository Receipts (GDRs) owned by the Group. Based on the applicable regulations, the Group does not have the right to distribute these gains.

OTHER RESERVES

According to the Central Bank of Lebanon's Main Circular 143, banks in Lebanon are required to transfer to other reserves the balance of reserves for general banking risks and general reserves for loans and advances (totalling LBP 889,720 million) previously appropriated in line with the requirements of Decision 7129 and Decision 7776 respectively. In accordance with the resolution of the Bank's General Assembly held on 30 June 2022 and Central Bank of Lebanon's letter dated 27 January 2022, an amount of LBP 479,263 million was transferred from distributable reserves (for the gain from sale of subsidiaries) and an amount of LBP 165,414 million was transferred from retained earnings (for dividends distributed by foreign subsidiaries). This reserve is part of the Group's equity and is not available for distribution.

RESERVE FOR UNREALISED REVALUATION GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As per the Banking Control Commission's Circular 296 dated 4 June 2018, banks operating in Lebanon are required to appropriate in a special reserve from their annual net profits the value of gross unrealised profits on financial assets at fair value through profit or loss. This reserve is not available for dividend distribution until such profits are realised and released to general reserves.

RESERVE FOR FORECLOSED ASSETS

The reserve for foreclosed assets represents appropriation against assets acquired in settlement of debt in accordance with the circulars of the Lebanese Banking Control Commission. Appropriations against assets acquired in settlement of debt shall be transferred to unrestricted reserves upon the disposal of the related assets.

41.0. DISTRIBUTABLE RESERVES

	General Reserves LBP Million	Cost of Capital Issued LBP Million	**Total LBP Million**
Balance at 1 January 2023 and 31 December 2023	**43,453**	**(7,458)**	**35,995**

	General Reserves LBP Million	Cost of Capital Issued LBP Million	Total LBP Million
Balance at 1 January 2022	507,629	(11,096)	496,533
Transfer between reserves	(464,176)	3,638	(460,538)
Balance at 31 December 2022	43,453	(7,458)	35,995

42.0. PROPOSED DIVIDENDS

In accordance with Central Bank of Lebanon Intermediate Circulars 567, 616 and 676, the Board of Directors does not propose the payment of dividends for the years 2023, 2022 and 2021.

43.0. TREASURY SHARES

	2023		2022	
	Number of Shares	Cost LBP Million	Number of Shares	Cost LBP Million
Balance at 1 January	**1,332,382**	**9,537**	1,172,382	9,190
Acquisition of Treasury Shares	-	-	160,000	347
Sale of Treasury Shares	(160,000)	(1,145)	-	-
Balance at 31 December	**1,172,382**	**8,392**	1,332,382	9,537

44.0. OTHER COMPONENTS OF EQUITY

	2023					
	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	9,807,331	1,246,779	7,966,482	(706,003)	-	18,314,589
Other comprehensive income from discontinued operations	2,890	(50,565)	1,377,739	(20,572)	(1,081)	1,308,411
Write off of FVTOCI	-	12,860	-	-	-	12,860
Transfer to reserves related to assets held for sale	(3,622)	11,127	69,914	23,213	4,585	105,217
Foreign currency translation of other components of equity	139,053	(8,290)	(130,456)	(307)	-	-
Balance at 31 December 2023	**16,917,281**	**1,260,006**	**7,819,519**	**(847,673)**	**-**	**25,149,133**

	2022					
	Real Estate Revaluation Reserve LBP Million	Cumulative Changes in Fair Value LBP Million	Foreign Currency Translation Reserve LBP Million	Actuarial Loss on Defined Benefit Obligation LBP Million	Cash Flow Hedge Reserve LBP Million	**Total LBP Million**
Balance at 1 January 2022	262,001	(5,584)	(1,359,027)	(76,633)	(2,044)	(1,181,287)
Other comprehensive income from continuing operations	6,709,429	10,338	(9,992)	(65,830)	-	6,643,945
Other comprehensive loss from discontinued operations	-	43,341	(95,141)	(1,541)	(1,460)	(54,801)
Transfer between reserves	199	-	-	-	-	199
Balance at 31 December 2022	6,971,629	48,095	(1,464,160)	(144,004)	(3,504)	5,408,056

REAL ESTATE REVALUATION RESERVE

Effective 31 December 2014, the Group made a voluntary change in its accounting policy for subsequent measurement of two classes of property and equipment being i) Land and ii) Building and Building Improvements from cost to revaluation model.

CUMULATIVE CHANGES IN FAIR VALUE

The cumulative changes as at 31 December represent the fair value differences from the revaluation of financial assets measured at fair value through other comprehensive income. The movement during the year can be summarised as follows:

	Change in Fair Value LBP Million	Deferred Tax LBP Million	Net LBP Million
Balance at 1 January 2023	**54,231**	**(6,136)**	**48,095**
Other comprehensive income from continuing operations	1,517,533	(270,754)	1,246,779
Other comprehensive loss from discontinued operations	(172,236)	121,671	(50,565)
Write off of FVTOCI	12,860	-	12,860
Transfer to reserves related to assets held for sale	(229,890)	241,017	11,127
Foreign currency translation of other components of equity	(8,290)	-	(8,290)
Adjustments	359,468	(359,468)	-
Balance at 31 December 2023	**1,533,676**	**(273,670)**	**1,260,006**

Balance at 1 January 2022	(10,524)	4,940	(5,584)
Other comprehensive income from continuing operations	12,682	(2,344)	10,338
Other comprehensive income from discontinued operations	63,351	(20,010)	43,341
Adjustments	(11,278)	11,278	-
Balance at 31 December 2022	54,231	(6,136)	48,095

45.0. ASSETS AND LIABILITIES HELD FOR SALE

Odea Bank A.Ş

Given the Group incapacity to support Odea Bank A.Ş due to legal, regulatory and financial challenges that would hinder the Group from providing such capital, yet alone from obtaining the needed approval of the Central Bank of Lebanon on it before a resolution of the Lebanese banking sector crisis is implemented, the Board of Directors approved a plan on 16 November 2023 to divest the Group's investment in Odea Bank A.Ş. Accordingly, as at 31 December 2023, Odea Bank A.Ş. was classified as held for sale and as discontinued operations.

Assets and liabilities included in disposal groups classified as held for sale:

	Odea Bank A.Ş. 2023 LBP Million
Cash and balances with central banks	7,186,853
Due from banks and financial institutions	3,379,715
Loans to banks and financial institutions and reverse repurchase agreements	1,526,060
Derivative financial instruments	272,361
Financial assets at fair value through profit or loss	707,947
Loans and advances to customers at amortised cost	16,061,846
Financial assets at amortised cost	6,182,944
Financial assets at fair value through other comprehensive income	5,294,267
Property and equipment and right-of-use assets	190,687
Intangible assets	274,122
Assets obtained in settlement of debt	420,453
Deferred tax assets	438,601
Other assets	605,400
Total assets classified as held for sale	**42,541,256**
Due to central banks	8,770
Due to banks and financial institutions	1,119,124
Due to banks under repurchase agreement	3,170,186
Derivative financial instruments	257,196
Customers' deposits	29,686,785
Debt issued and other borrowed funds	4,280,670
Other liabilities	494,443
Provisions for risks and charges	413,683
Total liabilities classified held for sale	**39,430,857**
Net assets classified as held for sale	**3,110,399**
Attributable to:	
Equity holders of the parent	**2,377,227**
Non-controlling interests	**733,172**
	3,110,399
Reserves related to assets held for sale	
Real estate revaluation reserve	3,622
Cumulative changes in fair value	(11,127)
Foreign currency translation reserve	(69,914)
Actuarial loss on defined benefit obligation	(23,213)
Cash flow hedge	(4,585)
	(105,217)

The carrying value of the disposal group is stated after the elimination of internal balances between Odea Bank A.Ş and the remaining entities within the Group of LBP 1,105 million. Internal balances have been considered in determining the carrying value of the disposal groups held for sale for the purposes of measuring the disposal group at the lower of carrying amount and fair value less costs to sell.

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

	Odea Bank A.Ş.	
	2023 LBP Million	2022 LBP Million
Interest and similar income	6,297,483	667,094
Interest and similar expense	(5,104,309)	(402,703)
Net interest income	**1,193,174**	264,391
Fee and commission income	719,804	25,383
Fee and commission expense	(67,840)	(3,181)
Net fee and commission income	**651,964**	22,202
Net trading income (loss)	205,272	(5)
Net gain on sale of financial assets at amortised cost	92,318	-
Non-interest revenues from financial assets at fair value through other comprehensive income	-	238
Other operating income	334,413	22,559
Total operating income	**2,477,141**	309,385
Net recovery (impairment loss) on financial assets	14,961	(37,870)
Net operating income	**2,492,102**	271,515
Personnel expenses	(795,142)	(64,579)
Other operating expenses	(535,107)	(92,726)
Depreciation of property and equipment and right-of-use assets	(89,687)	(7,672)
Amortisation of intangible assets	(58,906)	(4,352)
Total operating expenses	**(1,478,842)**	(169,329)
Operating profit	**1,013,260**	102,186
Net gain on revaluation and disposal of fixed assets	-	-
Profit before tax	**1,013,260**	102,186
Income tax	(22,448)	(22,725)
Profit for the year	**990,812**	79,461
Attributable to:		
Equity holder of the parent	757,179	60,724
Non-controlling interests	233,633	18,737
	990,812	79,461

Other comprehensive income relating to discontinued operations is as follows:

	Odea Bank A.Ş	
	2023 LBP Million	2022 LBP Million
Profit for the year	990,812	79,461
Other comprehensive income that will be reclassified to the income statement in subsequent periods		
Foreign currency translation		
Exchange differences on translation of foreign operations	2,083,255	(129,525)
Net foreign currency translation	**2,083,255**	(129,525)
Cash flow hedge		
Net hedging gain (loss) arising during the year	39,555	(3,946)
Gain reclassified to income statement	(3,878)	(601)
Tax effects	(9,552)	1,478
Net change in cash flow hedge	**26,125**	(3,069)
Debt instruments at fair value through other comprehensive income		
Change in fair value during the year	(509,169)	83,686
Tax effects	121,671	(20,010)
Net gain (loss) on debt instruments at fair value through other comprehensive income	**(387,498)**	63,676
Total other comprehensive income (loss) that will be reclassified to the income statement in subsequent periods	**1,721,882**	(68,918)
Other comprehensive loss that will not be reclassified to the income statement in subsequent periods		
Remeasurement losses on defined benefit plans		
Actuarial loss on defined benefits plans	(16,294)	(3,824)
Tax effects	6,544	1,031
Net remeasurement losses on defined benefits plans	**(9,750)**	(2,793)
Total other comprehensive loss that will not be reclassi-fied to the income statement in subsequent periods	**(9,750)**	(2,793)
Other comprehensive income (loss) for the year, net of tax	**1,712,132**	(71,711)
Total comprehensive income for the year, net of tax	**2,702,944**	7,750
Attributable to:		
Equity holder of the parent	2,065,590	5,923
Non-controlling interests	637,354	1,827
	2,702,944	7,750

The cash flows attributed to the discontinued operations are as follows:

	Odea Bank A.Ş.	
	2023 LBP Million	2022 LBP Million
Net cash flows from operating activities	(1,116,961)	257,296
Net cash flows from investing activities	997,851	(100,106)
Net cash flows from financing activities	(64,526)	(3,993)
Net (decrease)/increase in cash and cash equivalents	(183,636)	153,197

46.0. GROUP SUBSIDIARIES

A. LIST OF SIGNIFICANT SUBSIDIARIES

The following table shows information related to the significant subsidiaries of the Bank.

	Percentage of Ownership		Country of Incorporation	Principal Activity	Functional Currency
	2023	2022			
Bank Audi France sa	100.00	100.00	France	Banking (Commercial)	EUR
Banque Audi (Suisse) SA	100.00	100.00	Switzerland	Banking (Private)	CHF
Audi Capital (KSA)	99.99	99.99	Saudi Arabia	Financial services	SAR
Bank Audi LLC (Qatar)	100.00	100.00	Qatar	Banking services	QAR
Société Libanaise de Factoring sal	100.00	100.00	Lebanon	Factoring	LBP
Odea Bank A.Ş.	76.42	76.42	Turkey	Banking (Commercial)	TRY
Audi Investments Holding sal	100.00	100.00	Lebanon	Investment	USD

B. SIGNIFICANT RESTRICTIONS

Except as disclosed in note 17, the Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group, and comply with other ratios.

C. NON-CONTROLLING INTERESTS

Odea Bank A.Ş is the only subsidiary of the Group that has a material non-controlling interest with 23.58% equity interests held by non-controlling interests as at 31 December 2023 (2022: the same). During 2023, assets and liabilities were classified as held for sale in the consolidated balance sheet and the results were discontinued on the consolidated income statement (Note 45).

Material Partially-owned Subsidiarie

	Odea Bank A.Ş.	
	2023 %	2022 %
Proportion of equity interests held by non-controlling interests	23.58%	23.58%

Financial information relating to Odea Bank A.Ş. is provided below:

Summarised Statement of Profit or Loss

	Odea Bank A.Ş.	
	2023 LBP Million	2022 LBP Million
Net interest income	1,193,174	264,391
Net fee and commission income	651,964	22,202
Net trading income (loss)	205,272	(5)
Net gain on sale of financial assets at amortised cost	92,318	238
Other operating income	334,413	22,559
Total operating income	2,477,141	309,385
Net credit losses	14,961	(37,870)
Total operating expenses	(1,478,842)	(169,329)
Profit before tax	1,013,260	102,186
Income tax	(22,448)	(22,725)
Profit for the year	990,812	79,461
Attributable to non-controlling interests	233,633	18,737
Dividends paid to non-controlling interests	-	-

Summarised Statement of Financial Position

	Odea Bank A.Ş.	
	2023 LBP Million	2022 LBP Million
ASSETS		
Cash and balances with central banks	7,186,853	649,503
Due from banks and financial institutions	3,379,715	635,917
Loans to banks and financial institutions and reverse repurchase agreements	1,526,060	216,397
Due from related financial institutions	-	35,851
Derivative financial instruments	272,361	98,285
Financial assets at fair value through profit or loss	707,947	2,901
Loans and advances to customers at amortised cost	16,061,846	2,262,013
Financial assets at amortised cost	6,182,944	566,177
Financial assets at fair value through other comprehensive income	5,294,267	882,457
Property and equipment and right-of-use assets	190,687	24,356
Intangible assets	274,122	19,602
Assets obtained in settlement of debt	420,453	64,932
Deferred tax assets	438,601	47,852
Other assets	605,400	48,099
TOTAL ASSETS	42,541,256	5,554,342
LIABILITIES		
Due to central banks	8,770	272,669
Due to banks and financial institutions	1,119,124	101,499
Due to banks under repurchase agreement	3,170,186	49,799
Due to related financial institutions	1,105	55,843
Derivative financial instruments	257,196	72,850
Customers' deposits	29,686,785	3,985,423
Debt issued and other borrowed funds	4,280,670	430,208
Other liabilities	494,443	80,888
Provisions for risks and charges	413,683	98,812
TOTAL LIABILITIES	39,431,962	5,147,991
TOTAL SHAREHOLDERS' EQUITY	3,109,294	406,351
Of which: non-controlling interests	*733,172*	*95,818*
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	42,541,256	5,554,342

Summarised Cash Flow Information

	2023 LBP Million	2022 LBP Million
Operating activities	(1,116,961)	257,296
Investing activities	997,851	(100,106)
Financing activities	(64,526)	(3,993)
	(183,636)	153,197

47.0. CASH AND CASH EQUIVALENTS

	2023 LBP Million	2022 LBP Million
Cash and balances with central banks	70,875,852	5,998,811
Due from banks and financial institutions	18,583,649	2,661,777
Loans to banks and financial institutions and reverse repurchase agreements	-	24,265
Due to central banks	(1,429)	(272,810)
Due to banks and financial institutions	(1,513,119)	(366,911)
Due to banks under repurchase agreement	-	(49,799)
	87,944,953	7,995,333

Cash and balances with central banks include amounts of LBP 21,151,994 million at 31 December 2023 (2022: LBP 3,421,449 million) representing mandatory reserve deposits and balances.

Cash and cash equivalents include balances that are subject to de-facto capital controls and restricted transfers outside Lebanon. Accordingly, these balances are not considered readily convertible to known amounts of cash in the denomination currency without a risk of changes in value. However, the Group maintains their classification as cash and cash equivalents as they are freely transferrable within the Lebanese territory. These balances were as follows as at 31 December 2023 and 31 December 2022:

	2023 LBP Million	2022 LBP Million
Cash and balances with central banks	61,480,586	3,589,840
Due from banks and financial institutions	219,792	22,807
	61,700,378	3,612,647

48.0. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Quoted Market Prices – Level 1

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

Valuation Technique Using Observable Inputs – Level 2

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

Valuation Technique Using Significant Unobservable Inputs – Level 3

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

Effects of Exchange Rates on the Fair Value Measurement

The fair value disclosures for other assets and liabilities are first determined in their original currency, which is not the Lebanese Pound in the case of most of the assets and liabilities reported below. These are then translated to Lebanese Pounds at the official published exchange rate as discussed in Note 1.3. However, in light of the high deviation between the parallel market rate, the Sayrafa 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 financial statements and Management is unable to estimate the effects on the fair value measurement. This matter should be taken into consideration when interpreting the fair value disclosures in this note, especially those under Level 1 and Level 2.

48.1. FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

Fair Value Measurement Hierarchy of the Financial Assets and Liabilities Carried at Fair Value

	2023			
	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	4,896	-	-	4,896
Forward precious metals contracts	100	-	-	100
Currency swaps	176,182	-	-	176,182
Precious metals swaps	1,877	-	-	1,877
Currency options	90,655	-	-	90,655
Equity options	178,817	-	-	178,817
	452,527	-	-	452,527
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of Lebanon				
Eurobonds	165,957	-	-	165,957
Other sovereign				
Treasury bills and Eurobonds	2,322,934	-	-	2,322,934
Private sector and other securities				
Banks and financial institutions	1,509,348	-	-	1,509,348
Mutual funds	-	22,844	319,320	342,164
Equity instruments	18,137	-	-	18,137
	4,016,376	22,844	319,320	4,358,540
Financial assets at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills and bonds	118,268	-	-	118,268
Private sector and other securities				
Banks and financial institutions	67,826	-	-	67,826
Equity instruments				
Quoted	1,673,382	-	-	1,673,382
Unquoted	-	2,644	163,153	165,797
	1,859,476	2,644	165,153	2,025,273
	6,328,379	25,488	482,473	6,836,340

	2023			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	**Total LBP Million**
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	3,594	-	-	3,594
Forward precious metals contracts	1,158	-	-	1,158
Currency swaps	36,213	-	-	36,213
Precious metals swaps	2,500	-	-	2,500
Currency options	90,655	-	-	90,655
Equity options	178,817	-	-	178,817
	312,937	-	-	312,937
Customers' deposits – sight	1,365,821	-	-	1,365,821
	1,678,758	-	-	1,678,758

	2022			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL ASSETS				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	1,136	6,762	-	7,898
Forward precious metals contracts	3	-	-	3
Currency swaps	1,971	23,770	-	25,741
Precious metals swaps	56	-	-	56
Currency options	6,827	11,966	-	18,793
Interest rate swaps	-	60,156	-	60,156
Equity options	6,496	-	-	6,496
	16,489	102,654	-	119,143
Financial assets at fair value through profit or loss				
Lebanese sovereign and Central Bank of Lebanon				
Eurobonds	16,168	-	-	16,168
Other sovereign				
Treasury bills and Eurobonds	967	-	-	967
Private sector and other securities				
Banks and financial institutions	199,805	-	-	199,805
Mutual funds	-	3,169	34,550	37,719
Equity instruments	52	2,034	-	2,086
	216,992	5,203	34,550	256,745
Financial assets at fair value through other comprehensive income				
Debt instruments				
Other sovereign				
Treasury bills and bonds	868,073	-	-	868,073
Private sector and other securities				
Banks and financial institutions	31,513	-	-	31,513
Equity instruments				
Quoted	87,331	-	-	87,331
Unquoted	-	266	44,658	44,924
	986,917	266	44,658	1,031,841
	1,220,398	108,123	79,208	1,407,729

	2022			
	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL LIABILITIES				
Derivative financial instruments				
Derivatives held for trading				
Forward foreign exchange contracts	994	4,951	-	5,945
Forward precious metals contracts	18	-	-	18
Currency swaps	4,274	11,820	-	16,094
Precious metals swaps	1,163	-	-	1,163
Currency options	6,827	4,145	-	10,972
Interest rate swaps	-	13,038	-	13,038
Equity options	6,496	-	-	6,496
Derivatives held as cash flow hedge				
Interest rate swaps	-	834	-	834
	19,772	34,788	-	54,560
Customers' deposits – sight	145,711	-	-	145,711
	165,483	34,788	-	200,271

Valuation Techniques Used for Material Classes of Financial Assets and Liabilities Categorised within Level 2 and Level 3

Interest Rate Derivatives

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

Foreign Exchange Derivatives

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

Funds and Equity Shares of Non-listed Entities

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

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

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

	2023		2022	
	Financial Instruments at Fair Value through Profit or Loss LBP Million	Financial Instruments at Fair Value through Other Comprehensive Income LBP Million	Financial Instruments at Fair Value through Profit or Loss LBP Million	Financial Instruments at Fair Value through Other Comprehensive Income LBP Million
FINANCIAL ASSETS				
Balance at 1 January	34,550	44,658	39,491	43,132
Re-measurement recognised in other comprehensive income	-	(77,927)	-	1,265
Re-measurement recognised in income statement	(7,408)	-	(264)	
Purchases	-	958	-	769
Sales	(16,431)	-	(4,677)	-
Transfer to assets held for sale	-	(1,098)	-	-
Foreign exchange difference	308,609	196,562	-	(508)
Balance at 31 December	**319,320**	**163,153**	34,550	44,658

48.2. FAIR VALUE OF FINANCIAL INSTRUMENTS NOT HELD AT FAIR VALUE

Comparison of Carrying and Fair Values for Financial Assets and Liabilities not Held at Fair Value

The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Group's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

Financial Assets and Liabilities Concentrated in Lebanon

These assets and liabilities consist of balances with the Central Bank of Lebanon and Lebanese banks, Lebanese government securities, loans and advances to customers and related parties, customers' and related parties deposits and debt issued and other borrowed funds. These are illiquid in nature and the measurement of their fair value is usually determined through discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads. Due to the situation described in Note 1 and the unprecedented levels of uncertainty surrounding the economic crisis that Lebanon, and particularly the banking sector, is experiencing, Management is unable to produce faithful estimation of the fair value of these financial assets and liabilities. Accordingly, the table below does not include fair value disclosures for these assets and liabilities.

Fair Value Measurement Hierarchy of the Financial Assets and Liabilities for which Fair Value is Disclosed

Financial Assets and Liabilities Not Concentrated in Lebanon

	Carrying Value	Fair Value			
31 December 2023	LBP Million	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	**Total LBP Million**
FINANCIAL ASSETS					
Cash and balances with central banks	6,642,693	1,388,864	5,251,918	-	6,640,782
Due from banks and financial institutions	24,573,454	-	24,559,880	-	24,559,880
Net loans & advances to customers	11,852,833	-	-	12,778,549	12,778,549
Corporate and SME	*3,812,434*	-	-	*3,964,647*	3,964,647
Retail and Personal Banking	*8,040,391*	-	-	*8,813,894*	8,813,894
Public sector	*8*	-	-	*8*	8
Net loans & advances to related parties	540,730	-	-	542,134	542,134
Corporate and SME	*7,220*	-	-	*8,624*	8,624
Retail and Personal Banking	*533,510*	-	-	*533,510*	533,510
Financial assets classified at amortised cost	6,553,615	6,286,392	227,119	-	6,513,511
Other sovereign	*3,856,361*	*3,628,704*	*227,119*	-	3,855,823
Private sector and other securities	*2,697,254*	*2,657,688*	-	-	2,657,688
	50,163,325	**7,675,256**	**30,038,917**	**13,320,683**	**51,034,856**
FINANCIAL LIABILITIES					
Due to central banks	1,429	-	1,429	-	1,429
Due to banks and financial institutions	2,603,959	-	2,603,959	-	2,603,959
Customers' deposits	35,288,134	-	35,605,833	-	35,605,833
Deposits from related parties	1,012,269	-	1,036,493	-	1,036,493
	38,905,791	-	**39,247,714**	-	39,247,714

	Carrying Value	Fair Value			
31 December 2022	LBP Million	Level 1 LBP Million	Level 2 LBP Million	Level 3 LBP Million	Total LBP Million
FINANCIAL ASSETS					
Cash and balances with central banks	1,337,862	165,606	1,172,212	-	1,337,818
Due from banks and financial institutions	2,993,765	-	2,992,575	-	2,992,575
Loans to banks and financial institutions and reverse repurchase agreements	216,397	-	223,126	-	223,126
Net loans & advances to customers	3,640,232	-	-	3,653,572	3,653,572
Corporate and SME	*2,675,616*	-	-	*2,688,956*	2,688,956
Retail and Personal Banking	*955,372*	-	-	*955,372*	955,372
Public sector	*9,244*	-	-	*9,244*	9,244
Net loans & advances to related parties	56,489	-	-	56,523	56,523
Corporate and SME	*526*	-	-	*560*	560
Retail and Personal Banking	*55,963*	-	-	*55,963*	55,963
Financial assets classified at amortised cost	1,419,506	1,420,938	22,728	-	1,443,666
Other sovereign	*884,358*	*879,338*	*22,728*	-	902,066
Private sector and other securities	*535,148*	*541,600*	-	-	541,600
	9,664,251	**1,586,544**	**4,410,641**	**3,710,095**	9,707,280
FINANCIAL LIABILITIES					
Due to central banks	272,810	-	272,810	-	272,810
Due to banks and financial institutions	360,874	-	360,874	-	360,874
Due to banks under repurchase agreements	49,799	-	49,799	-	49,799
Customers' deposits	7,605,000	-	7,624,795	-	7,624,795
Deposits from related parties	78,871	-	79,134	-	79,134
Debt issued and other borrowed funds	430,208	351,530	-	-	351,530
	8,797,562	351,530	8,387,412	-	8,738,942

Valuation Techniques Used for Material Classes of Financial Assets and Liabilities Categorised within Level 2 and Level 3

Short-term Financial Assets and Liabilities
For financial assets and financial liabilities that have a short-term maturity (less than three months), the carrying amounts are a reasonable approximation of their fair value. Such instruments include: cash and balances with central banks; due to and from banks; demand deposits; and savings accounts without a specific maturity.

Deposits with Banks and Loans and Advances to Banks
For the purpose of this disclosure, for financial assets that are short-term in nature or have interest rates that re-price frequently, there is minimal difference between fair value and carrying amount. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality. Where market data or credit information on the underlying borrower is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rate.

Reverse Repurchase and Repurchase Agreements
The fair value of reverse repurchase agreements approximates carrying amount as these balances are generally short-dated and fully collateralised.

Government Bonds, Certificates of Deposit and Other Debt Securities
The Group values these unquoted debt securities using discounted cash flow valuation models using observable market inputs, comprising of interest rates and yield curves, implied volatilities, and credit spreads.

Loans and Advances to Customers
For the purpose of this disclosure, in many cases, the fair value disclosed approximates carrying value because these advances are short-term in nature or have interest rates that re-price frequently. The fair value of loans and advances to customers that do not fall in this category is estimated using discounted cash flows by applying current rates to new loans with similar remaining maturities and to counterparties with similar credit quality.

Deposits from Banks and Customers
In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, is estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities. Where market data is unavailable, a number of proxy/extrapolation techniques are employed to determine the appropriate discount rate.

49.0. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

CREDIT-RELATED COMMITMENTS AND CONTINGENT LIABILITIES

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

	2023		
	Banks LBP Million	Customers LBP Million	**Total LBP Million**
Guarantees and contingent liabilities			
Financial guarantees	29,614	1,867,370	1,896,984
Other guarantees	64,454	1,197,029	1,261,483
	94,068	**3,064,399**	3,158,467
Commitments			
Documentary credits	-	2,228,704	2,228,704
Loan commitments	-	4,211,514	4,211,514
Of which: revocable	-	*3,938,737*	*3,938,737*
Of which: irrevocable	-	*272,777*	*272,777*
	-	**6,440,218**	6,440,218

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

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 109,725 million as of 31 December 2023 (2022: LBP 11,027 million).

LEGAL CLAIMS

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

The extent of the impact of these matters cannot always be predicted but may materially impact the Group's operations, financial results, condition and prospects. However, once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Based on advice from legal counsel, and despite the novelty of certain claims and the uncertainties inherent in their unique situation, Management believes that legal claims will not result in any material financial loss to the Group, except as provided for in Note 37, however they may have an impact on the liquidity of the Group, (Note 57).

CAPITAL EXPENDITURE COMMITMENTS

	2023 LBP Million	2022 LBP Million
Capital expenditure commitments	4,345	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 do not take into consideration the adjustments that may result from the resolution of the uncertainties in Note 1. Due to the high level of uncertainties and the lack of observable reliable indicators and the high gap in currency rates, the Group is unable to estimate in a reasonable manner the impact of these matters on its covenant calculation.

OTHER COMMITMENTS AND CONTINGENCIES

Certain areas of the Lebanese tax legislation and the tax legislations where the subsidiaries operate are subject to different interpretations in respect of the taxability of certain types of financial transactions and activities. The Bank's books in Lebanon for the years 2015 to 2017 (inclusive) are currently under review by the tax authorities. The outcome of this review cannot be determined yet. The Bank's books in Lebanon remain subject to the review of the tax authorities for the years 2018 to 2023 and the review of the National Social Security Fund (NSSF) for the period from 30 September 2011 to 31 December 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.

50.0. ASSETS UNDER MANAGEMENT

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

	2023 LBP Million	2022 LBP Million
Assets under management	98,464,331	9,729,265
Fiduciary assets	18,874,773	1,687,547
	117,339,104	11,416,812

51.0. RELATED-PARTY TRANSACTIONS

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

SUBSIDIARIES

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

ASSOCIATES AND OTHER ENTITIES

The Group provides banking services to its associates and to entities under common directorships. As such, loans, overdrafts, interest and non-interest bearing deposits, and current accounts are provided to these entities, as well as other services. These transactions are conducted on the same terms as third-party transactions. Summarised financial information for the Group's associates is set out in Note 25 to these financial statements.

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

	2023 LBP Million	2022 LBP Million
Loans and advances	575,051	64,475
Of which: granted to Key Management Personnel	*34,966*	*7,451*
Of which: cash collateral received against loans	*531,050*	*55,241*
Indirect facilities	15,265	1,734
Deposits	1,319,556	116,350
Interest income on loans	3,619	682
Interest expense on deposits	927	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.

	2023 LBP Million	2022 LBP Million
Short-term benefits	105,561	16,523
Post-employment benefits – income statement	519	608
Post-employment benefits – other comprehensive income	(6,719)	(1,313)

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 27,532 million as of 31 December 2023 (2022: LBP 4,035 million).

52.0. RISK MANAGEMENT

The Group is exposed to various risk types, some of which are:
- Credit risk: the risk of default or deterioration in the ability of a borrower to repay a loan.
- Market risk: the risk of loss in balance sheet and off-balance sheet positions arising from movements in market prices. Movements in market prices include changes in interest rates (including credit spreads), exchange rates and equity prices.
- Liquidity risk: the risk that the Group cannot meet its financial obligations when they come due in a timely manner and at a reasonable cost.
- Operational risk: the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.
- Other risks faced by the Group include concentration risk, reputation risk, litigation risk, compliance risk, political risk, business/strategic risk, and cybersecurity risk.

Risks are managed through a process of ongoing identification, measurement, monitoring, mitigation and control, and reporting to relevant stakeholders. The Group ensures that risks and rewards are properly balanced and in line with the risk appetite framework, which is approved by the Board of Directors.

BOARD OF DIRECTORS

The Board of Directors (the Board) is ultimately responsible for setting the level of acceptable risks to which the Group is exposed, and as such, approves the risk appetite and policies of the Group. The Board monitors the risk profile in comparison to the risk appetite on a regular basis and follow-up on existing and emerging risks.

BOARD GROUP RISK COMMITTEE

The role of the Board's Group Risk Committee (BGRC) is to oversee the risk management framework and assess its effectiveness, review and recommend to the Board the Group risk policies and risk appetite, monitor the Group's risk profile, review stress test scenarios and results, and provide access for the Group Chief Risk Officer (CRO) to the Board. The BGRC meets at least every quarter in the presence of the Group CRO.

EXECUTIVE COMMITTEE

The Executive Committee's role is to assist the Board in executing the Group's strategy and aid the Group CEO with the daily operations. It is responsible for developing and implementing business policies and issuing guidance for the Group within the strategy approved by the Board. The Executive Committee is involved in reviewing and submitting to the Board the risk policies and risk appetite.

ASSET LIABILITY COMMITTEE

The Asset Liability Committee (ALCO) is a Management committee responsible in part for managing market and liquidity risks, as well as reviewing funding needs and contingency exposures. It is the responsibility of this committee to set up strategies for managing liquidity and market risk and ensure that Treasury implements those strategies in line with the risk policies and limits approved by the Board.

INTERNAL AUDIT

Risk management processes are independently audited by the Internal Audit Department at least annually. This includes the examination of both the adequacy and effectiveness of risk control procedures. Internal Audit discusses the results of its assessments with Management and reports its findings and recommendations to the Audit Committee of the Board.

RISK MANAGEMENT

Risk Management is a function independent from business lines and headed by the Group CRO. The function has the responsibility to ensure that risks are properly identified, measured, monitored, controlled, and reported to relevant stakeholders. These include heads of business lines. Senior Management, ALCO, the Board Group Risk Committee and the Board. In addition, the function works closely with Senior Management to ensure that proper controls and mitigants are in place. The Risk function at the Group level has the responsibility of drafting risk policies and principles for adoption at the entity level. In addition, it is in charge of cascading risk appetite and limits to entities and business lines, as well as monitoring and aggregating the risk profile across the Group.

RISK APPETITE

The Risk appetite reflects the level and type of risk that the Group is willing to accept, taking into account the Group's strategy, operating environment and regulatory constraints.

Risk appetite is formalised in a document, which is reviewed by the Executive Committee and the Board Group Risk Committee, and approved by the Board. This document comprises qualitative and quantitative statements of risk appetite and includes key risk indicators covering various material and relevant risks.

53.0. CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its obligors or counterparties fail to meet their contractual obligations, including the full and timely payment of principal and interest. Credit risk arises from various balance sheet and off-balance sheet exposures including bank placements, loans and advances, credit commitments, financial guarantees, letters of credit, acceptances, investments in debt securities (including sovereign) and derivative financial instruments. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position. In the case of credit derivatives, the Group is also exposed to the risk of default of the derivative's counterparty.

CREDIT RISK MANAGEMENT

The Group manages and controls credit risk by setting concentration limits on counterparties, geographies and sectors. It also monitors on a regular basis the risk profile in relation to these limits.

Credit risk oversight is conducted independently by the Credit Review and Credit Risk functions within each entity. These functions ensure a proper coverage of credit risk though the implementation of various processes, including but not limited to: i) providing independent opinions on credit files, ii) reviewing and approving obligors risk ratings assignments, iii) conducting portfolio reviews, iv) ensuring compliance with the Group's credit policy and limits, and v) aggregating data and reporting the credit risk profile to relevant stakeholders.

The Group has established various credit monitoring processes for the early detection of potential deteriorations in borrowers' credit quality and accordingly, and the implementation of corresponding remedial measures. These processes include regular loan portfolio reviews, IFRS 9 Impairment Committee meetings, as well as individual credit assessments of borrowers and their corresponding facilities. The latter process is mainly applicable for non-retail obligors.

The Group has also established an approval limit structure for granting and renewing credit facilities. Credit officers and credit committees are responsible for the approval of facilities up to their own assigned limits. Once approved, facilities are disbursed when all the requirements set by the respective approval authority are met and documents intended as security are obtained and verified by the Credit Administration function.

Since October 2019 events, the challenging economic situation in Lebanon has exerted significant pressure on the asset quality of the domestic loan portfolio. As a result, credit quality metrics of the Lebanese loan portfolio have declined driven by a weakening in the borrowers' creditworthiness across various segment types, as well as shrinking in the size of the loan portfolio. In order to address this challenging operating condition, the Group has implemented a series of remedial actions that included: i) risk deleveraging by reducing the loan portfolio, ii) increasing collection capacity across various business lines, iii) increasing specific and collective provision coverages, and iv) setting up an independent, centralised and specialised Remedial function to proactively manage problematic borrowers.

EXPECTED CREDIT LOSSES

Governance and Oversight of Expected Credit Losses

The IFRS 9 Impairment Committee, which is a committee composed of Executive Committee members, oversees the implementation of the Expected Credit Loss (ECL) framework. This is being done by: i) approving the IFRS-9 Impairment Policy; ii) reviewing key assumptions and estimations that are part of the ECL framework; iii) approving the forward-looking economic scenarios; iv) approving staging classifications on a name-by-name basis for material exposures; and v) reviewing ECL results.

The Group reviews its IFRS-9 Impairment Policy on an annual basis, at minimum, and amends it accordingly to reflect any change in the estimation methodology, embedded assumptions or regulatory requirements.

Key judgments inherent in this policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the Significant Increase in Credit Risk (SICR), are assessed through a combination of expert judgment and data-driven methodologies.

ECL is estimated using a model that takes into account the borrower's exposure, internal obligor risk rating, facility characteristics, and collateral information among other. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs. To manage model risks, the Group has established a systematic approach for the development, validation, approval, implementation and on-going use of the models. Models are validated by a qualified independent party to the model developers, before first use and at regular intervals thereafter.

Each model is designated an owner who is responsible for: i) monitoring the performance of the model, which includes comparing estimated ECL versus actual realised losses; and ii) proposing post-model development adjustments to enhance model's accuracy or to account for situations where known or expected risk factors and information have not been considered in the modelling process. Models used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data, reconciliation with Finance data, and documentation of the calculation steps.

ECL estimation takes into account a range of future economic scenarios, which are set by economists within the Group's Research Department using independent models and expert judgment. Forward-looking economic scenarios, with their corresponding probabilities of occurrence, are updated annually or more frequently in the event of a significant change in the prevailing economic conditions.

Definition of Default and Cure

The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay his credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).
- The borrower is more than 90 days past due on any material credit obligation to the Group.

As part of the qualitative assessment process of default identification, the Group carefully considers other criteria than the ones listed above in order to determine if an exposure should be classified in Stage 3 for ECL calculation purpose or if a Stage 2 classification is deemed more appropriate.

It is the Group's policy to consider a financial instrument as "cured" and therefore re-classified out of Stage 3 when none of the default criteria have been present for a specific period of time. The decision whether to classify an asset as Stage 2 or Stage 1 once cured is dependent on the absence of SICR criteria compared to the initial recognition date and is examined on a case-by-case basis. In case of forbearance under Stage 2, the borrower remains in this stage until all the following conditions have been met: i) at least a 12-month probation period has passed; ii) three consecutive payments under the new repayment schedule have been made; iii) the borrower has no past dues under any obligation to the Group; and iv) all the terms and conditions agreed to as part of the restructuring agreement have been met.

The Group's Internal Rating and PD Estimation Process

Central Banks, Sovereigns and Financial Institutions

For central banks, sovereigns and financial institutions' exposures, ratings from recognised external rating agencies are used and mapped to their corresponding PDs as reported by these agencies. These ratings with their corresponding PDs are monitored and updated on a regular basis.

As per BdL Intermediate Circular 649 issued on 24 November 2022, provision coverages on exposures to the Lebanese sovereign and to the Central Bank of Lebanon in foreign currency should reach 75% by December 2026 and 1.89% respectively. Regulatory ECLs on exposures to the Lebanese sovereign in local currency and to the Central Bank of Lebanon in local currency are set to 0%. Due to the high levels of uncertainties, the lack of observable indicators, and the lack of visibility on the Lebanese government's reform plans with respect to, among other, the exposures to the Central Bank of Lebanon, the Group was unable to estimate in a reasonable manner ECL on these exposures and accordingly, as applicable, the loss rates mentioned in BdL Intermediate Circular 649 were adopted, except for the foreign currency exposure to Lebanon sovereign bonds. For the latter and during 2023, the Group has started allocating provisions so that their net book values fully reflect their underlying market values, hence exceeding the minimum regulatory provision coverage level of 75% required by 2026. ECL on exposure to the Central Bank of Lebanon in foreign currency stood at 1.89% as at 31 December 2023.

Non-retail Loans

The Risk function is responsible for the development of internal rating models and for the estimation of Probability of Default (PD) and Loss Given Default (LGD). The Group uses an internal Obligor Risk Rating (ORR) scale comprised of 19 performing grades and 3 non-performing grades. These grades, which are generated by internal rating models, are calibrated to PDs using historical default observations that are specific to each geography and business line segment. If historical default observations are not sufficient for a reliable PD estimation, then a low-default portfolio approach is adopted. The mapping of ratings to PDs is done initially on a through-the-cycle basis then adjusted to incorporate a forward-looking component and point-in-time in line with the IFRS 9 standard.

Internal rating models for the Group's key lending portfolios (including Corporate and SME) take into account both qualitative and quantitative criteria to generate ratings such as:

- Historical and projected financial information related to the customer. These include debt service coverage, operations, liquidity, capital structure and other relevant financial ratios.
- Account behaviour, repayment history and other non-financial information such as management quality, company standing and industry risk.
- Any publicly available information from external parties. This includes external credit ratings issued by recognised rating agencies, independent research analyst reports and other market disclosures.
- Macro-economic information such as GDP growth corresponding to the customer's country of operations.
- Any other supporting information on the obligor's willingness and capacity to repay its debt.

Internal ratings are initially assigned by the credit origination functions (i.e. business lines) and are approved and validated by the Credit Review and function which is independent from business lines. The Credit Review and functions is responsible for ensuring that ratings assigned to obligors are accurate and updated at all times.

Retail Loans and Private Banking

Retail lending comprises mainly of personal loans, car loans, credit cards and housing loans. The Group normally relies on application scorecards to score retail applicants and for either, the automation of decisions according to a certain cut-off score or as an additional input to support the approval or reject decision by specialised credit officers. For the estimation of expected losses for retail products, the Group uses the loss approach by product based on the net flow of exposures from one days-past-due bucket to another. This estimation is adjusted by a forward-looking component in line with the IFRS-9 standard.

Private Banking credit exposures are mainly related to margin lending activities where the Group typically holds high liquid and diversified securities as collaterals with very conservative loan to value thresholds. This lending discipline, together with very tight and automated monitoring standards, ensure the portfolio remains of very high quality. The ECLs for these exposures is dependent on collateral types and coverage level, among others.

Loss Given Default (LGD)

LGD is the magnitude of the likely loss in the event of a default. The Group estimates LGD based on the history of recovery rates of claims against defaulted counterparties that were fully settled, as well as on the potential future recoveries on defaulted counterparties that still have outstanding balances. LGD estimation is dependent on the counterparty and collateral type, as well as recovery costs. For portfolios with limited historical data, external benchmark information is used to supplement available internal data.

Exposure at Default (EAD)

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

Significant Increase in Credit Risk

In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or Lifetime ECL (LTECL), the Group assesses whether there has been a significant increase in credit risk since initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information based on the Group's historical experience and expert credit assessment including forward-looking information. The Group assessment of significant increase in credit risk is being performed on a monthly basis based on the following:

Non-retail Portfolio

Migration of obligor risk rating by a certain number of notches from origination date to reporting date as a key indicator of the change in the risk of default at origination date with the risk of default at reporting date. The Group also considers in its assessment of significant increase in credit risk various qualitative factors including significant adverse changes in business condition, restructuring due to credit quality weakness during the past 12 months, and classification of an exposure under the "Follow-up and Regularisation" supervisory classification.

Retail Portfolio

The Group considers specific conditions that might be indicative of a significant increase in credit risk such as the occurrence of a restructuring event.

Backstop

As a backstop, the financial instrument is considered to have experienced a significant increase in credit risk if the obligor is more than 30 days past-due on his contractual payment.

Downgrade from Stage 2 to Stage 3 is based on whether financial assets are credit-impaired at the reporting date.

Expected Life

With the exception of revolving facilities, the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. With respect to revolving facilities, the Group does not limit its exposure to credit losses to the contractual notice period, but instead, calculates ECL over a period that reflects the Group's expectations with regards to the customer's behaviour, its likelihood of default and future risk mitigation actions, which could include reducing or cancelling the facilities.

Forward-looking Information

The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition, and the measurement of ECL.

The Group formulates three economic scenarios: a base case, which is the median scenario and two less likely scenarios, one upside and one downside, each assigned a specific probability of occurrence. The base case scenario is aligned with information used by the Group for other purposes such as strategic and budgeting planning processes.

These scenarios, including the weights attributable to them, are prepared by economists in the Research Department. They are determined using a combination of expert judgment and model output. The Group reviews the methodologies and assumptions including any forecasts of future economic conditions on a regular basis.

The Group has identified real GDP growth, as the key driver of ECL for several countries where it operates. Using an analysis of historical data, the Group has estimated relationships between this macro-economic variable and credit losses. The ECL estimates have been assessed for sensitivity to changes in forecasts of the macroeconomic-variable and also together with changes to the weights assigned to the scenarios. For the Group's various countries of operations, excluding Lebanon, the impact on ECL is not material.

For Lebanon, given the prevailing high economic and financial uncertainties and challenges, as disclosed in Note 1, ECLs estimation remains subject to high volatility (including from changes to macroeconomic variable forecasts) especially in view of the prolonged crisis and continued deterioration in economic conditions. It is not practical at this stage to determine and provide sensitivity analysis that is reasonably possible before the full resolution of these prevailing high uncertainties.

Modified and Forborne Loans

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention, and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognised and the renegotiated loan recognised as a new loan at fair value in accordance with the accounting policy set out in The Summary of Significant Accounting Policies above.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on his debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk.

The table below includes Stage 1 and 2 assets that were modified and, therefore, treated as forborne during the year.

	2023 LBP Million	2022 LBP Million
Amortised costs of financial assets modified during the period	52,620	133,501

Financial Assets and ECLs by Stage

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

	Gross Exposure				Impairment Allowance				
31 December 2023	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	5,250,814	143,348,695	-	148,599,509	-	2,728,114	-	2,728,114	145,871,395
Due from banks and financial institutions	24,570,068	309,080	5,551	24,884,699	9	34,549	2,155	36,713	24,847,986
Loans and advances to customers at amortised cost	13,947,179	592,270	5,273,895	19,813,344	370,615	98,727	4,178,419	4,647,761	15,165,583
Corporate and SME	*5,351,865*	*535,292*	*3,387,165*	*9,274,322*	*246,018*	*79,781*	*2,668,233*	*2,994,032*	*6,280,290*
Retail and Personal Banking	*8,595,306*	*54,837*	*1,563,485*	*10,213,628*	*124,597*	*18,936*	*1,219,956*	*1,363,489*	*8,850,139*
Public sector	*8*	*2,141*	*323,245*	*325,394*	-	*10*	*290,230*	*290,240*	*35,154*
Loans and advances to related parties at amortised cost	575,062	-	-	575,062	11	-	-	11	575,051
Financial assets at amortised cost	6,554,590	10,428,238	5,058,052	22,040,880	975	196,644	2,617,629	2,815,248	19,225,632
Financial guarantees and other commitments	5,674,921	150,489	84,586	5,909,996	12,841	2,167	25,260	40,268	5,869,728
Total	**56,572,634**	**154,828,772**	**10,422,084**	**221,823,490**	**384,451**	**3,060,201**	**6,823,463**	**10,268,115**	**211,555,375**

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

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of loans and advances at amortised cost:

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	**Total LBP Million**
At 1 January 2023	**53,116**	**129,074**	**708,522**	**890,712**
Net re-measurements and reallocations	94,848	(72,785)	214,122	236,185
Recoveries	-	-	(199,921)	(199,921)
Write-offs	-	-	(1,310,205)	(1,310,205)
Other movements	-	-	66,125	66,125
Related to discontinued operations	147,734	219,211	146,027	512,972
Transfer to assets held for sale	(160,686)	(312,901)	(205,937)	(679,524)
Foreign exchange difference	235,603	136,128	4,759,686	5,131,417
Balance at 31 December 2023	**370,615**	**98,727**	**4,178,419**	**4,647,761**

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2022	290,360	253,968	750,923	1,295,251
Net re-measurements and reallocations	(235,079)	(73,521)	98,629	(209,971)
Recoveries	-	-	(81,556)	(81,556)
Related to discontinued operations	(380)	(36,494)	50,886	14,012
Write-offs	-	-	(123,824)	(123,824)
Other movements	-	-	38,747	38,747
Foreign exchange difference	(1,785)	(14,879)	(25,283)	(41,947)
Balance at 31 December 2022	53,116	129,074	708,522	890,712

The contractual amount outstanding on loans that have been written off, but were still subject to enforcement activity, was LBP 7,013,268 million at 31 December 2023 (2022: LBP 1,505,365 million).

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of financial assets at amortised cost:

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2023	**2,642**	**65,252**	**87,890**	**155,784**
Net re-measurements and reallocations	477	(452,629)	2,165,266	1,713,114
Related to discontinued operations	19,357	-	-	19,357
Transfer to assets held for sale	(21,952)	-	-	(21,952)
Foreign exchange difference	451	584,021	364,473	948,945
Balance at 31 December 2023	**975**	**196,644**	**2,617,629**	**2,815,248**

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2022	688	73,121	120,951	194,760
Net re-measurements and reallocations	44	(7,869)	(32,676)	(40,501)
Related to discontinued operations	2,698	-	-	2,698
Related to financial assets sold	-	-	(46,641)	(46,641)
Other movements	-	-	46,277	46,277
Foreign exchange difference	(788)	-	(21)	(809)
Balance at 31 December 2022	2,642	65,252	87,890	155,784

As at 31 December 2022, expected credit losses on Lebanese government bonds in foreign currency amounting to LBP 107,433 million will be recorded in the coming three years to reach 75% of the exposure, as permitted by Intermediate Circular 649 issued on 24 November 2022.

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of balances with central banks:

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	**Total LBP Million**
At 1 January 2023	**360**	**228,094**	**-**	**228,454**
Net re-measurements and reallocations	-	452,629	-	452,629
Related to discontinued operations	(551)	-	-	(551)
Transfer to assets held for sale	191	-	-	191
Foreign exchange difference	-	2,047,391	-	2,047,391
Balance at 31 December 2023	**-**	**2,728,114**	**-**	**2,728,114**

	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
At 1 January 2022	304	218,991	-	219,295
Net re-measurements and reallocations	-	7,869	-	7,869
Related to discontinued operations	162	-	-	162
Foreign exchange difference	(106)	1,234	-	1,128
Balance at 31 December 2022	360	228,094	-	228,454

Net re-measurements and reallocations include re-measurements as a result of changes in the size of portfolios, reclassifications between stages and risk parameter changes.

ANALYSIS OF RISK CONCENTRATIONS

Geographical Location Analysis

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

	2023									
	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	140,620,581	-	-	5,250,814	-	-	-	-	-	145,871,395
Due from banks and financial institutions	274,532	1	1,911,112	20,142,898	2,491,472	27,956	15	-	-	24,847,986
Derivative financial instruments	2,641	-	3,272	442,581	30	1,563	2,440	-	-	452,527
Financial assets at fair value through profit or loss	165,957	-	-	1,509,348	2,321,096	-	-	1,838	-	3,998,239
Loans and advances to customers at amortised cost	5,096,090	73,247	3,114,192	3,260,305	104,245	451,076	2,876,183	155,313	34,932	15,165,583
Loans and advances to related parties at amortised cost	35,383	-	531,992	7,639	37	-	-	-	-	575,051
Debtors by acceptances	2,060	-	110,561	7,155	-	-	130,272	-	-	250,048
Financial assets at amortised cost	12,672,017	-	925,684	1,507,302	3,695,395	226,275	-	-	198,959	19,225,632
Financial assets at fair value through other comprehensive income	-	-	67,826	-	118,268	-	-	-	-	186,094
Other assets	757,129	-	14,373	63,191	-	-	-	-	-	834,693
	159,626,390	**73,248**	**6,679,012**	**32,191,233**	**8,730,543**	**706,870**	**3,008,910**	**157,151**	**233,891**	**211,407,248**

	2022									
	Lebanon LBP Million	Turkey LBP Million	MENA LBP Million	Europe LBP Million	North America LBP Million	Asia LBP Million	Rest of Africa LBP Million	Central and South America LBP Million	Rest of the World LBP Million	Total LBP Million
Balances with central banks	12,938,474	607,751	-	564,504	-	-	-	-	-	14,110,729
Due from banks and financial institutions	22,997	411,216	201,786	2,028,020	352,190	554	3	-	-	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	-	216,397	-	-	-	-	-	-	-	216,397
Derivative financial instruments	365	30,489	285	83,341	4,383	122	158	-	-	119,143
Financial assets at fair value through profit or loss	16,168	868	-	199,805	-	-	-	99	-	216,940
Loans and advances to customers at amortised cost	2,347,976	2,263,487	456,883	341,932	5,928	72,710	342,355	29,930	9,919	5,871,120
Loans and advances to related parties at amortised cost	7,995	-	55,547	933	-	-	-	-	-	64,475
Debtors by acceptances	830	-	220	756	-	-	5,249	-	-	7,055
Financial assets at amortised cost	5,635,950	342,280	117,356	230,219	580,821	129,065	-	-	19,765	7,055,456
Financial assets at fair value through other comprehensive income	-	843,596	13,577	-	29,497	12,916	-	-	-	899,586
Other assets	506,145	42,416	1,713	6,621	-	-	-	-	-	566,895
	21,476,900	4,758,500	847,367	3,456,131	972,819	215,367	347,765	30,029	29,684	32,134,562

Industrial Analysis

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by industry sector. The distribution of financial assets by industry sector as of 31 December is as follows:

	2023									
	Financial Services and Brokerage LBP Million	Government LBP Million	Consumers LBP Million	Retail and Wholesale LBP Million	Construction and Materials LBP Million	Manufacturing LBP Million	Energy and Petroleum LBP Million	Services and Utilities LBP Million	Agriculture LBP Million	**Total LBP Million**
Balances with central banks	-	145,871,395	-	-	-	-	-	-	-	145,871,395
Due from banks and financial institutions	24,847,986	-	-	-	-	-	-	-	-	24,847,986
Derivative financial instruments	442,476	-	-	10,051	-	-	-	-	-	452,527
Financial assets at fair value through profit or loss	1,509,348	2,488,891	-	-	-	-	-	-	-	3,998,239
Loans and advances to customers at amortised cost	1,454,283	38,983	8,788,744	2,003,043	280,567	951,203	553,393	987,205	108,162	15,165,583
Loans and advances to related parties at amortised cost	532,027	-	35,799	-	-	-	-	7,225	-	575,051
Debtors by acceptances	7,154	-	-	242,894	-	-	-	-	-	250,048
Financial assets at amortised cost	1,656,493	16,528,378	641,901	-	-	322,262	-	76,598	-	19,225,632
Financial assets at fair value through other comprehensive income	15,046	118,268	-	-	-	29,927	-	22,853	-	186,094
Other assets	821,121	-	13,572	-	-	-	-	-	-	834,693
	31,285,934	**165,045,915**	**9,480,016**	**2,255,988**	**280,567**	**1,303,392**	**553,393**	**1,093,881**	**108,162**	**211,407,248**

	2022									
	Financial Services and Brokerage LBP Million	Government LBP Million	Consumers LBP Million	Retail and Wholesale LBP Million	Construction and Materials LBP Million	Manufacturing LBP Million	Energy and Petroleum LBP Million	Services and Utilities LBP Million	Agriculture LBP Million	Total LBP Million
Balances with central banks	-	14,110,729	-	-	-	-	-	-	-	14,110,729
Due from banks and financial institutions	3,016,766	-	-	-	-	-	-	-	-	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	216,397	-	-	-	-	-	-	-	-	216,397
Derivative financial instruments	86,726	11,960	12,514	-	-	-	-	7,943	-	119,143
Financial assets at fair value through profit or loss	199,805	17,135	-	-	-	-	-	-	-	216,940
Loans and advances to customers at amortised cost	505,373	21,354	1,581,277	727,277	656,655	955,255	276,710	1,056,124	91,095	5,871,120
Loans and advances to related parties at amortised cost	55,583	-	8,289	-	-	-	-	603	-	64,475
Debtors by acceptances	424	-	-	5,959	364	308	-	-	-	7,055
Financial assets at amortised cost	413,761	6,520,030	64,071	-	-	49,688	-	7,906	-	7,055,456
Financial assets at fair value through other comprehensive income	26,292	868,072	-	-	-	2,950	-	2,272	-	899,586
Other assets	139,666	409,017	8,212	-	-	-	-	-	-	556,895
	4,660,793	21,958,297	1,674,363	733,236	657,019	1,008,201	276,710	1,074,848	91,095	32,134,562

CREDIT QUALITY

The Group assesses the quality of its credit portfolio using the following credit rating methodologies:

(i) External ratings from approved credit rating agencies for fixed income instruments and financial institutions exposures.

(ii) Internal rating models that take into account both financial and non-financial information such as management quality, operating environment and company standing. The Group has developed specific internal rating models for Corporate, SME Individual borrowers.

(iii) Supervisory classifications, comprising six main categories: (a) Regular includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These borrowers display regular and timely payment of their dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required. (b) Follow-up represents a lack of updated documentation related to the borrower's activity, an inconsistency between facilities' type and related conditions. (c) Follow-up and regularisation includes creditworthy borrowers requiring close monitoring without being impaired. These borrowers usually demonstrate some signs of weaknesses (such as insufficient or inadequate cash flows, high leverage ratio, excess facility utilisation, multiple loan rescheduling since initiation), or operate under deteriorating economic or geographic conditions. (d) Substandard loans include borrowers showing clear signs of inability to repay their facilities on time, due to financial difficulties (e.g. hard core accounts, or weak cash generation capacity). (e) Doubtful loans where full repayment is questioned even after liquidation of collateral, when applicable. It also includes loans with past-dues for over 6 months and debtors who are unable to repay their restructured facilities. Finally, (f) bad loans which relate to obligors with no or little prospects of repayment from their business activities or through assets liquidation. This category also includes borrowers with significant payment delays and/or deemed insolvent.

Sovereign and Banks and Financial Institutions

External Rating Grade	Credit Quality Description
AA+, AA, AA-	High
A+, A, A-	High
BBB+, BBB, BBB-	Standard
BB+, BB, BB-	Standard
B+, B, B-	Weak
CCC+, CCC, CCC-	Weak
CC, C, D	Credit-impaired

Non-retail Loans

Internal Rating Grade(*)	Credit Quality Description
Performing	
1	High
2	High
3	High
4	Standard
5	Standard
6	Standard
7	Weak
Non-performing	
8	Credit-impaired
9	Credit-impaired
10	Credit-impaired

(*) The internal rating grade is based on the obligor risk rating (which is mapped to PD) and therefore does not incorporate facility risk characteristics and structure such as the existence of credit risk mitigants (impacting therefore LGD). For this reason, an obligor risk rating can be mapped to various supervisory classifications depending on the expected credit loss level.

Retail

Internal Rating Grade(*)	Credit Quality Description
Performing	
B0 (0 days past due)	High
B1 (1 to 30 days past due)	Standard
B2 (31 to 60 days past due)	Standard
B3 (61 to 90 days past due)	Weak
Non-performing	
B4 – B6 (91 to 180 days past due)	Credit-impaired
B7 – B12 (181 days to 360 days past due)	Credit-impaired
B13 (more than 360 days past due)	Credit-impaired

The credit quality descriptions can be summarised as follows:

- *High*: there is a very high likelihood that the asset will be recovered in full. Counterparties in this caegory demonstrate a strong ability and willingness to fulfill their obligations on due time.
- *Standard*: there is a high likelihood that the asset will be recovered in full. The lower end of this category includes borrowers in the early stages of delinquency, suggesting operational reduction in their ability to repay their obligations.
- *Weak*: there is a concern on the obligor's ability to make payments when due. However, this has not materialised yet in an event of default. Under this category, a borrower, who is now under a close monitoring and follow-up process, continues to repay his dues, albeit with some and/or recurring delays. Under this category, there is increasing likelihood of loss.

The table below shows the credit quality of the Group's financial instruments and balances due from banks and financial institutions as per external ratings.

	2023											
	Sovereign and Central Banks						Non-sovereign					
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Below B- LBP Million	Unrated LBP Million	**Total LBP Million**	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Unrated LBP Million	**Total LBP Million**	**Grand Total LBP Million**
Balances with central banks	5,250,814	-	-	-	140,620,581	145,871,395	-	-	-	-	-	145,871,395
Due from banks and financial institutions	-	-	-	-	-	-	12,006,988	12,313,612	16	527,370	24,847,986	24,847,986
Financial assets at fair value through profit or loss	2,321,096	-	-	167,795	-	2,488,891	1,509,348	-	-	-	1,509,348	3,998,239
Financial assets at amortised cost	3,698,549	157,812	-	2,440,423	10,231,594	16,528,378	1,865,183	832,071	-	-	2,697,254	19,225,632
Financial assets at fair value through other comprehensive income	118,268	-	-	-	-	118,268	15,046	52,780	-	-	67,826	186,094
	11,388,727	**157,812**	**-**	**2,608,218**	**150,852,175**	**165,006,932**	**15,396,565**	**13,198,463**	**16**	**527,370**	**29,122,414**	**194,129,346**

	2022											
	Sovereign and Central Banks						Non-sovereign					
	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Below B- LBP Million	Unrated LBP Million	Total LBP Million	AAA to AA- LBP Million	A+ to BBB- LBP Million	BB+ to B- LBP Million	Unrated LBP Million	Total LBP Million	Grand Total LBP Million
Balances with central banks	564,504	-	607,751	-	12,938,474	14,110,729	-	-	-	-	-	14,110,729
Due from banks and financial institutions	-	-	-	-	-	-	1,228,340	1,302,072	421,940	64,414	3,016,766	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	-	-	-	-	-	6,459	209,938	216,397	216,397
Financial assets at fair value through profit or loss	-	-	868	16,267	-	17,135	199,805	-	-	-	199,805	216,940
Financial assets at amortised cost	525,952	16,126	342,280	2,222,128	3,413,544	6,520,030	265,060	270,088	-	278	535,426	7,055,456
Financial assets at fair value through other comprehensive income	24,477	-	843,595	-	-	868,072	26,303	5,211	-	-	31,514	899,586
	1,114,933	16,126	1,794,494	2,238,395	16,352,018	21,515,966	1,719,508	1,577,371	428,399	274,630	3,999,908	25,515,874

The table below shows the credit quality of the Group's loans and advances to customers based on credit quality segment and stage classification.

	2023			
	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	**Total LBP Million**
Loans and advances to customers at amortised cost	13,947,179	592,270	5,273,895	19,813,344
Corporate and SMEs	5,351,865	535,292	3,387,165	9,273,322
Performing				
High	*898,293*	*41*	-	*898,334*
Standard	*4,334,166*	*196,308*	-	*4,530,474*
Weak	*119,406*	*338,943*	-	*458,349*
Non-performing				
Credit-impaired	-	-	*3,387,165*	*3,387,165*
Retail and Private Banking	8,595,306	54,837	1,563,485	10,213,628
Performing				
High	*5,529,827*	-	-	*5,529,827*
Standard	*2,995,467*	*26,109*	-	*3,021,576*
Weak	*70,012*	*28,728*	-	*98,740*
Non-performing				
Credit-impaired	-	-	*1,563,485*	*1,563,485*
Public sector	8	2,141	323,245	325,394
Performing				
High	*8*	-	-	*8*
Weak	-	*2,141*	-	*2,141*
Non-performing				
Credit-impaired	-	-	*323,245*	*323,245*
Loans and advances to related parties at amortised cost	575,062	-	-	575,062
Performing				
High	*575,062*	-	-	*575,062*
Off-balance sheet loan commitments and financial guarantee contracts	5,674,921	150,489	84,586	5,909,996
Performing				
High	*1,036,201*	-	-	*1,036,201*
Standard	*4,605,285*	*31,061*	-	*4,636,346*
Weak	*33,435*	*119,428*	-	*152,863*
Non-performing				
Credit-impaired	-	-	*84,586*	*84,586*
Total	20,197,162	742,759	5,358,481	26,298,402

	2022			
	Stage 1 LBP Million	Stage 2 LBP Million	Stage 3 LBP Million	Total LBP Million
Loans and advances to customers at amortised cost	4,964,052	788,715	1,009,065	6,761,832
Corporate and SMEs	3,414,443	744,315	681,480	4,840,238
Performing				
High	307,059	-	-	307,059
Standard	2,658,579	93,199	-	2,751,778
Weak	448,805	651,116	-	1,099,921
Non-performing				
Credit-impaired	-	-	*681,480*	681,480
Retail and Private Banking	1,540,365	43,256	286,885	1,870,506
Performing				
High	694,109	-	-	694,109
Standard	805,182	17,491	-	822,673
Weak	41,074	25,765	-	66,839
Non-performing				
Credit-impaired	-	-	*286,885*	286,885
Public sector	9,244	1,144	40,700	51,088
Performing				
High	*9,244*	-	-	9,244
Weak	-	1,144	-	1,144
Non-performing				
Credit-impaired	-	-	*40,700*	40,700
Loans and advances to related parties at amortised cost	64,476	-	-	64,476
Performing				
High	*64,476*	-	-	*64,476*
Off-balance sheet loan commitments and financial guarantee contracts	1,614,563	51,807	10,200	1,676,570
Performing				
High	218,967	-	-	218,967
Standard	1,382,670	10,214	-	1,392,884
Weak	12,926	41,593	-	54,519
Non-performing				
Credit-impaired	-	-	10,200	10,200
Total	6,643,091	840,522	1,019,265	8,502,878

MAXIMUM EXPOSURE TO CREDIT RISK AND COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

	2023								
	Maximum Exposure LBP Million	Cash Collateral and Margins LBP Million	Securities LBP Million	Guarantees Received from Banks and Financial Institutions LBP Million	Real Estate LBP Million	Vehicles LBP Million	Other Guarantees LBP Million	Risk Transfer LBP Million	Net Credit Exposure LBP Million
Balances with central banks	145,871,395	-	-	-	-	-	-	-	**145,871,395**
Due from banks and financial institutions	24,847,986	-	-	-	-	-	-	-	**24,847,986**
Derivative financial instruments	452,527	-	-	-	-	-	-	-	**452,527**
Financial assets at fair value through profit or loss	3,998,239	-	-	-	-	-	-	-	**3,998,239**
Loans and advances to customers at amortised cost	15,165,583	1,603,505	5,071,974	18,185	2,716,916	3,095	169,382	-	**5,582,526**
Corporate and SME	*6,280,290*	*555,737*	*169,898*	*18,116*	*860,572*	*2,190*	*122,131*	-	***4,551,646***
Retail and Personal Banking	*8,850,139*	*1,047,768*	*4,902,076*	*69*	*1,856,344*	*905*	*47,251*	-	***995,726***
Public sector	*35,154*	-	-	-	-	-	-	-	***35,154***
Loans and advances to related parties at amortised cost	575,051	531,050	-	-	2,949	-	-	-	**41,052**
Debtors by acceptances	250,048	66,705	-	-	-	-	-	-	**183,343**
Financial assets at amortised cost	19,225,632	-	-	-	-	-	-	156,602	**19,069,030**
Financial assets at fair value through other comprehensive income	186,094	-	-	-	-	-	-	-	**186,094**
Other assets	834,693	-	-	-	-	-	-	-	**834,693**
Contingent liabilities	4,125,688	221,091	71,651	210,205	4,490	20	115,555	-	**3,502,676**
Letters of credit	*2,228,704*	*17,958*	-	*183,916*	-	-	-	-	***2,026,830***
Financial guarantee given to banks and financial institutions	*29,614*	-	-	-	-	-	-	-	***29,614***
Financial guarantee given to customers	1,867,370	*203,133*	*71,651*	*26,289*	*4,490*	*20*	*115,555*	-	***1,446,232***
Total	**215,532,936**	**2,422,351**	**5,143,625**	**228,390**	**2,724,355**	**3,115**	**284,937**	**156,602**	**203,569,561**
Guarantees received from banks, financial institutions and customers									
Utilised collateral		2,422,351	5,143,625	228,390	2,724,355	3,115	284,937		**10,806,773**
Surplus of collateral before undrawn credit lines		5,086,124	20,508,116	127,737	5,813,645	290,951	4,219,371		**36,045,944**
		7,508,475	**25,651,741**	**356,127**	**8,538,000**	**294,066**	**4,504,308**		**46,852,717**

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 4,211,514 million as at 31 December 2023.

	2022								
	Maximum Exposure LBP Million	Cash Collateral and Margins LBP Million	Securities LBP Million	Guarantees Received from Banks and Financial Institutions LBP Million	Real Estate LBP Million	Vehicles LBP Million	Other Guarantees LBP Million	Risk Transfer LBP Million	Net Credit Exposure LBP Million
Balances with central banks	14,110,729	-	-	-	-	-	-	-	14,110,729
Due from banks and financial institutions	3,016,766	-	-	-	-	-	-	-	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	216,397	-	-	-	-	-	-	-	216,397
Derivative financial instruments	119,143	-	-	-	-	-	-	-	119,143
Financial assets at fair value through profit or loss	216,940	-	-	-	-	-	-	-	216,940
Loans and advances to customers at amortised cost	5,871,120	425,108	623,615	9,415	1,722,258	110,070	139,383	-	2,841,271
Corporate and SME	*4,230,055*	*228,180*	*70,961*	*9,384*	*1,201,085*	*105,991*	*136,312*	-	2,478,142
Retail and Personal Banking	*1,618,515*	*196,928*	*552,654*	*31*	*521,173*	*4,079*	*3,071*	-	340,579
Public sector	*22,550*	-	-	-	-	-	-	-	22,550
Loans and advances to related parties at amortised cost	64,475	55,241	-	-	4,664	4	784	-	3,782
Debtors by acceptances	7,055	3,242	-	-	-	-	-	-	3,813
Financial assets at amortised cost	7,055,456	-	-	-	-	-	-	16,506	7,038,950
Financial assets at fair value through other comprehensive income	899,586	-	-	-	-	-	-	-	899,586
Other assets	556,895	-	-	-	-	-	-	-	556,895
Contingent liabilities	447,236	39,823	6,556	25,795	1,312	82	14,693	-	358,975
Letters of credit	*193,869*	*3,531*	-	*19,598*	-	-	-	-	170,740
Financial guarantee given to banks and financial institutions	5,019	-	-	-	-	-	-	-	5,019
Financial guarantee given to customers	248,348	*36,292*	6,556	*6,197*	*1,312*	*82*	*14,693*	-	183,216
Total	32,581,798	523,414	630,171	35,210	1,728,234	110,156	154,860	16,506	29,383,247
Guarantees received from banks, financial institutions and customers									
Utilised collateral		523,414	630,171	35,210	1,728,234	110,156	154,860		3,182,045
Surplus of collateral before undrawn credit lines		797,786	1,867,328	13,929	8,415,823	164,161	687,928		11,946,955
		1,321,200	2,497,499	49,139	10,144,057	274,317	842,788		15,129,000

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LBP 2,279,907 million as at 31 December 2022.

COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The Group obtains collaterals during its lending activities as a protection against potential losses that may result when borrowers default on their credit obligations. The amount and type of collateral required depend usually on the obligor's creditworthiness. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of a received collateral on a regular basis and requests additional collateral in accordance with the underlying agreement when deemed necessary.

The main types of collateral obtained are as follows:

- Securities: the balances shown represent the fair value of the securities.

- Letters of credit/guarantees: the Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions, which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group.

- Real estate (commercial and residential): the Group holds, in some cases, a first-degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown reflects the fair value of the property limited to the related mortgaged amount.

- Netting agreements: the Group makes use of netting agreements and other arrangements not eligible for netting under IAS 32 Financial Instruments: Presentation, with its counterparties. Such arrangements provide for net settlement of all financial instruments covered by the agreements in the event of default. Although these netting arrangements do not normally result in an offset of balance sheet assets and liabilities (as the conditions for offsetting under IAS 32 may not apply), they nevertheless reduce the Group's exposure to credit risk outstanding amounts of such contracts.

In addition to the above, the Group also obtains corporate guarantees from parent companies for loans to their subsidiaries, personal guarantees from shareholders of the borrowing company, second-degree mortgages on real estate assets, and assignments of insurance or bills proceeds and revenues, which are not reflected in the above table.

54.0. MARKET RISK

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

The responsibilities of the Market Risk function are to identify, measure, monitor control and report all current and future potential market risks to which the Group is exposed. This includes the effective implementation of a proper risk management framework around the treasury, investment portfolio, and asset and liability activities through the adoption of consistent and comprehensive risk management tools and methodologies. The Group monitors the risk profile generated by these activities in order to ensure that it remains within the approved risk policies and limits.

The Group conducts stress tests on a regular basis using various scenarios and assumptions that are deemed plausible and relevant to the Bank's business model and operating environment.

CURRENCY RISK

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

As disclosed in Note 1.3, the Group's assets and liabilities in foreign currencies are valued at the official published exchange rate. Due to the high volatility and the significant variance in exchange rates between the multiple currency markets in Lebanon, this does not always represent a reasonable estimate of expected cash flows in Lebanese Pounds that would have to be generated/used from the realisation of such assets or the payment of such liabilities at the date of the transaction or at the date of the financial statements. In February 2023, the Central Bank of Lebanon changed the official published exchange rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. The consolidated financial statements as at 31 December 2023 include adjustments from the change in this rate from LBP 1,507.5 to LBP 15,000 to the US Dollar. During February 2024, BdL issued Basic Circular 167 requiring banks to value specific assets and liabilities based on the exchange rate quoted on the electronic platform (which stood at LBP 89,500 to the US Dollar on 15 February 2024) effective starting 31 January 2024. This directive aligns with efforts toward exchange rate unification.

The Group will use the new rates as quoted on the electronic platform in its subsequent financial information reporting, with the first period being the quarterly reporting as of 31 March 2024. The carrying amounts of total assets, liabilities and shareholders' equity as at 31 March 2024 were reported at LBP 1,506,994,548 million, LBP 1,421,634,850 million and LBP 85,360,198 million, respectively.

The gap between the several exchange rates and the subjectivity and complexities surrounding exchange rates remained in 2023 even after the change in the official published exchange rate. Management believes that the unification of exchange rates of the LBP to the US Dollar that will be enacted starting 31 January 2024 will further have a significant impact on the Group's financial position and regulatory ratios from the translation of assets and liabilities in foreign currencies at a different rate.

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.

	2023					
	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	2,865,574	133,271,707	11,542,272	-	790,167	148,469,720
Due from banks and financial institutions	54,739	21,014,716	986,585	26	2,791,920	24,847,986
Derivative financial instruments	-	184,057	115,096	22	153,352	452,527
Financial assets at fair value through profit or loss	1,008	2,830,787	-	-	1,526,745	4,358,540
Loans and advances to customers at amortised cost	922,069	7,555,119	4,857,615	27	1,830,753	15,165,583
Loans and advances to related parties at amortised cost	3,308	564,102	7,641	-	-	575,051
Debtors by acceptances	-	152,433	93,069	-	4,546	250,048
Financial assets at amortised cost	2,110,491	16,115,529	999,612	-	-	19,225,632
Financial assets at fair value through other comprehensive income	1,686,197	282,776	12,620	-	43,680	2,025,273
Investments in associates	-	141,155	-	-	-	141,155
Property and equipment and right-of-use assets	17,774,966	664	89,666	-	659,069	18,524,365
Intangible assets	35,967	-	9,158	-	17,709	62,834
Assets obtained in settlement of debt	2,686	95,782	-	-	-	98,468
Other assets	265,733	681,017	82,496	10	123,441	1,152,697
Deferred tax assets	19,308	396	70,883	-	7,600	98,187
Goodwill	-	-	-	-	497,030	497,030
	-	10,561,084	8,819,904	22,858,921	301,347	42,541,256
Total assets	**25,742,046**	**193,451,324**	**27,686,617**	**22,859,006**	**8,747,359**	278,486,352
Liabilities and shareholders' equity						
Due to central banks	2,350,868	177,923	420	-	-	2,529,211
Due to banks and financial institutions	8,899	2,465,419	136,402	-	216,039	2,826,759
Derivative financial instruments	-	18,045	107,076	-	187,816	312,937
Customers' deposits	7,039,481	166,702,716	16,801,131	1,674	3,631,177	194,176,179
Deposits from related parties	8,327	913,665	390,558	868	6,138	1,319,556
Debt issued and other borrowed funds	-	4,063,130	-	-	-	4,063,130
Engagements by acceptances	-	152,433	93,069	-	4,546	250,048
Other liabilities	582,061	1,320,699	217,909	-	281,358	2,402,027
Deferred tax liabilities	298,563	-	-	-	12,263	310,826
Current tax liability	118,119	-	128,543	-	22,541	269,203
Provisions for risks and charges	2,549,089	1,639,094	8,330	-	322,528	4,519,041
Liabilities held for sale	-	13,176,154	2,611,660	18,984,720	4,658,323	39,430,857
Shareholders' equity	13,451,769	5,932,356	1,405,925	1,399,589	3,886,939	26,076,578
Total liabilities and shareholders' equity	**26,407,176**	**196,561,634**	**21,901,023**	**20,386,851**	**13,229,668**	278,486,352

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

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

	2023			
	USD LBP Million	EUR LBP Million	Other LBP Million	**Total LBP Million**
Assets				
Cash and balances with central banks	132,124,109	6,739,852	97,674	138,961,635
Due from banks and financial institutions	219,755	37	-	219,792
Financial assets at fair value through profit or loss	280,204	-	-	280,204
Loans and advances to customers at amortised cost	2,300,820	89,861	-	2,390,681
Loans and advances to related parties at amortised cost	31,012	-	-	31,012
Financial assets at amortised cost	10,169,155	-	-	10,169,155
Financial assets at fair value through other comprehensive income	29,925	-	-	29,925
Investment in associates	141,155	-	-	141,155
Property and equipment and right-of-use assets	664	-	514	1,178
Assets obtained in settlement of debt	95,782	-	-	95,782
Other assets	660,005	16,442	852	677,299
Total assets	**146,052,586**	**6,846,192**	**99,040**	152,997,818
Liabilities				
Due to central banks	176,915	-	-	176,915
Due to banks and financial institutions	213,734	158	8	213,900
Customers' deposits	144,116,268	6,765,545	966,751	151,848,564
Deposits from related parties	270,961	24,737	2,847	298,545
Other liabilities	508,541	-	169	508,710
Provisions for risks and charges	1,209,454	-	-	1,209,454
Total liabilities	**146,495,873**	**6,790,440**	**969,775**	154,256,088

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

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair value of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities. Positions are monitored on a regular basis by Management and, whenever possible, hedging strategies are used to ensure positions are maintained within established limits.

The table below shows the sensitivity of interest income to 1% parallel changes in interest rates, all other variables being held constant.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates. The result includes the effect of hedging instruments, when applicable, and assets and liabilities held at 31 December 2023 and 2022. Given the prolonged nature of the Lebanese crisis and related high level of uncertainties, the Group expects the low interest rates environment for the local currency (or equivalent) to continue prevailing in Lebanon during 2024. The Group is also unable to determine what would be a reasonably possible change in interest rates. The Central Bank of Lebanon has already decreased interest rates used by the Lebanese banking sector through its various intermediate circulars. Conversely, the Group's revenue was positively impacted in 2023 by relatively high global interest rates mainly on international US Dollar and Euro exposures. This may prove volatile in future due to changing global interest rates as these rates reach their peak levels and begin to drop.

The change in interest income is calculated over a 1-year period while the effect of any future associated hedges that can be implemented by the Group is not accounted for.

	Decrease in Basis Points	**2023 LBP Million Decrease**	2022 LBP Million Decrease
LBP	- 100	45,518	38,182
USD	- 100	756,284	100,771
EUR	- 100	(5,721)	4,028
TRY	- 100	74,628	8,262

The Group's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates, particularly with regard to the maturity of customers' demand deposits.

	2023								
	Up to 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million	Total Less than 1 Year LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total More than 1 Year LBP Million	Non-interest Bearing LBP Million	**Total LBP Million**
Assets									
Cash and balances with central banks	73,216,808	3,089,711	4,046,050	80,352,569	26,233,120	38,474,262	64,707,382	3,409,769	148,469,720
Due from banks and financial institutions	16,768,789	3,154,471	4,750,343	24,673,603	-	-	-	174,383	24,847,986
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	-	-	-	-	-	-
Derivative financial instruments	451,980	-	-	451,980	-	-	-	547	452,527
Financial assets at fair value through profit or loss	3,998,240	-	-	3,998,240	-	-	-	360,300	4,358,540
Loans and advances to customers at amortised cost	5,322,177	6,426,737	2,858,710	14,607,624	399,348	60,836	460,184	97,775	15,165,583
Loans and advances to related parties at amortised cost	873	539,210	2,188	542,271	19,548	13,047	32,595	185	575,051
Financial assets at amortised cost	589,103	2,976,164	1,960,911	5,526,178	7,956,058	5,560,359	13,516,417	183,037	19,225,632
Financial assets at fair value through other comprehensive income	82,843	15,358	29,927	128,128	57,966	-	57,966	1,839,179	2,025,273
Total assets	**100,430,813**	**16,201,651**	**13,648,129**	**130,280,593**	**34,666,040**	**44,108,504**	**78,774,544**	**6,065,175**	**215,120,312**
Liabilities									
Due to central banks	8,251	23,915	98,407	130,573	2,262,391	126,166	2,388,557	10,081	2,529,211
Due to banks and financial institutions	1,547,686	11,071	139,228	1,697,985	709,490	419,273	1,128,763	11	2,826,759
Due to banks under repurchase agreements	-	-	-	-	-	-	-	-	-
Derivative financial instruments	312,891	-	-	312,891	-	-	-	46	312,937
Customers' deposits	176,730,122	8,887,902	7,406,616	193,024,640	843,295	235,351	1,078,646	72,893	194,176,179
Deposits from related parties	606,515	704,794	7,315	1,318,624	83	782	865	67	1,319,556
Debt issued & other borrowed funds	-	-	2,250,000	2,250,000	1,736,160	-	1,736,160	76,970	4,063,130
Lease liabilities	2	3,708	11,195	14,905	60,750	26,716	87,466	-	102,371
Total liabilities	**179,205,467**	**9,631,390**	**9,912,761**	**198,749,618**	**5,612,169**	**808,288**	**6,420,457**	**160,068**	**205,330,143**
Interest rate sensitivity gap	**(78,774,654)**	**6,570,261**	**3,735,368**		**29,053,871**	**43,300,216**			
Cumulative gap	**(78,774,654)**	**(72,204,393)**	**(68,469,025)**		**(39,415,154)**	**3,885,062**			

	2022								
	Up to 1 Month LBP Million	1 to 3 Months LBP Million	3 Months to 1 Year LBP Million	Total Less than 1 Year LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total More than 1 Year LBP Million	Non-interest Bearing LBP Million	Total LBP Million
Assets									
Cash and balances with central banks	3,087,222	162,900	-	3,250,122	2,944,431	4,491,599	7,436,030	3,618,402	14,304,554
Due from banks and financial institutions	2,511,563	184,900	311,539	3,008,002	-	-	-	8,764	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	37,592	147,632	8,482	193,706	7,960	-	7,960	14,731	216,397
Derivative financial instruments	32,268	38,084	8,174	78,526	23,124	17,441	40,565	52	119,143
Financial assets at fair value through profit or loss	201,734	230	5,150	207,114	6,386	3,372	9,758	39,873	256,745
Loans and advances to customers at amortised cost	2,092,743	1,271,213	1,175,061	4,539,017	859,460	377,502	1,236,962	95,141	5,871,120
Loans and advances to related parties at amortised cost	3,475	626	2,464	6,565	56,557	1,171	57,728	182	64,475
Financial assets at amortised cost	76,404	59,686	2,738,828	2,874,918	1,852,811	2,203,049	4,055,860	124,678	7,055,456
Financial assets at fair value through other comprehensive income	15,411	45,090	190,732	251,233	557,378	90,976	648,354	132,254	1,031,841
Total assets	8,058,412	1,910,361	4,440,430	14,409,203	6,308,107	7,185,110	13,493,217	4,034,077	31,936,497
Liabilities									
Due to central banks	290,906	20,973	48,522	360,401	867,311	1,496,912	2,364,223	9,343	2,733,967
Due to banks and financial institutions	368,915	5,942	21,978	396,835	126,637	58,876	185,513	1,137	583,485
Due to banks under repurchase agreements	49,559	-	-	49,559	-	-	-	240	49,799
Derivative financial instruments	39,618	2,284	3,556	45,458	9,073	-	9,073	29	54,560
Customers' deposits	23,456,547	2,768,239	1,825,060	28,049,846	219,183	21,326	240,509	810,583	29,100,938
Deposits from related parties	58,779	1,702	739	61,220	55,127	-	55,127	3	116,350
Debt issued & other borrowed funds	35,165	-	226,125	261,290	125,124	415,028	540,152	22,001	823,443
Lease liabilities	343	690	3,600	4,633	14,053	7,011	21,064	-	25,697
Total liabilities	24,299,832	2,799,830	2,129,580	29,229,242	1,416,508	1,999,153	3,415,661	843,336	33,488,239
Interest rate sensitivity gap	(16,241,420)	(889,469)	2,310,850		4,891,599	5,185,957			
Cumulative gap	(16,241,420)	(17,130,889)	(14,820,039)		(9,928,440)	(4,742,483)			

PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected. This is applicable for example on fixed rate loans when market interest rates fall.

In Lebanon and following the severe devaluation of the local currency in the parallel market and prevalence of multiple exchange rates, prepayment activities related to the lending portfolio have accelerated during the past three years. However in view of the quasi-absence of any local interest rate benchmarks due to the crisis and given that the Bank in Lebanon prioritised the implementation of a de-risking strategy (with the aim of alleviating pressure on credit asset quality), the Group considers the impact of prepayment risk resulting from these transactions to be negligible.

Outside Lebanon, market risks that lead to prepayments are not material with respect to the countries where the Group operates. Accordingly, the Group considers the impact of prepayment risk on net profits to be not material after considering any penalty fees received on prepayment activities, when existing.

EQUITY PRICE RISK

Equity price risk is the risk that the value of a portfolio will fall as a result of a change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies/maturities) in which the Group holds equity-related positions.

Equity price risk exposure arises from equity securities classified at fair value other comprehensive income. A 5 percent increase in the value of the Group's equities at 31 December 2023 would have increased cumulative changes in fair value by LBP 83,181 million (2022: LBP 4,355 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

Given the Group's very low risk appetite for this type of risk and whenever equity exposures exist, the Group sets tight limits on such exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk can be measured in terms of market value of a stock or index position, and also in terms of price sensitivities, such as the sensitivity of the value of a portfolio to changes in the underlying asset's price.

55.0. LIQUIDITY RISK

Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances.

The Group manages liquidity at each entity level independently while keeping oversight of intra-group dependencies, when existing. The Group recognizes that its ability to meet its liquidity requirements, including its international commitments, may come under increasing pressure under a deteriorating operating environment. Following October 2019 events, the Bank's foreign currency liquidity in Lebanon was subject to an unprecedented pressure, which led Management to implement a series of remedial measures to contain the situation.

The following outlines the monitoring process that takes place at the entity level, including some activities that are more relevant to the Lebanese operations.

MONITORING PROCESS

Daily

Due to the ongoing economic and financial crisis in Lebanon, Management focused its efforts on the monitoring of international liquidity coverage relative to international commitments, including external account deposits.

To support this activity, the Treasury function monitors and reports daily and intra-day inflows and outflows for major currencies and ensures that funding gaps are met. Separately, the Market Risk function monitors on a daily basis international liquidity positions for major applicable currencies.

Monthly

The Market Risk function submits a monthly ALM report to ALCO showing changes in the liquidity position including future flows, as well as the coverage level relative to international commitments.

Quarterly

The Board and BGRC receive updates on the liquidity risk profile of each banking unit at least quarterly.

Liquidity Stress Tests

The liquidity position is assessed under various scenarios, including simulation of Group-specific crisis and market-wide crises. The stress scenarios are applied to both on-balance sheet and off-balance sheet commitments to provide a comprehensive view of potential cash outflows.

Moreover, liquidity stress testing is carried out regularly for all material banking units of the Group as part of the ICAAP preparation or risk reporting process. Scenarios used in these stress tests vary between entities to reflect their local market operating environments. Scenarios may include, among others, the following assumptions:

- Significant withdrawals of foreign currency deposits.
- Significant withdrawals of undrawn and committed credit lines.
- Significant haircut on liquid assets.
- Erosion of wholesale (interbank) funding.
- Significant reduction in assets that are eligible as collateral.

LIQUIDITY RISK POLICIES

The Group has put in place policies and measures for monitoring and managing liquidity risk. These include setting up remedial actions to be taken in response to potential liquidity stress events. Among these policies is the Asset Liability Management (ALM) Risk Policy, which is reviewed by ALCO and submitted to the Board Risk Committee for review.

LIQUIDITY RATIOS

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general, and specifically to the Group. In Lebanon and since October 2019 events, the Group monitors on a regular basis the ratio of available international foreign currency liquidity to international commitments over various time horizons.

The Central Bank of Lebanon, through its Basic Circular 154 dated 27 August 2020, issued various requirements aiming at restoring the normal banking operations in Lebanon to their pre-October 2019 levels. Among these requirements, Lebanese banks were requested to maintain international liquidity in the form of banknotes and current account balances with foreign correspondent banks (free of any obligation) in excess of 3% of the Bank's total foreign currency deposits as at 30 September 2022.

SOURCES OF FUNDING

Customers' deposits were the main funding source of the Group as at 31 December 2023 and 2022. The distribution of sources and the maturity of deposits are actively monitored in order to avoid high concentration of deposits by maturity and size. The Group monitors the percentage of core deposits to total deposits and aims to maintain this percentage at a high level.

The Group stresses the importance of customers' deposits as source of funds to finance its lending activities. This is monitored by using the advances to deposits ratio which compares loans and advances to customers as a percentage of clients' deposits.

	LBP		Foreign Currencies	
	2023 %	2022 %	**2023 %**	2022 %
Year-end	13	32	8	18
Maximum	34	44	18	20
Minimum	13	31	8	18
Average	23	37	16	19

ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarises the maturity profile of the Group's financial liabilities as of 31 December based on contractual undiscounted cash flows. The contractual maturities were determined based on the period remaining to reach maturity as per the statement of financial position's actual commitments. Repayments which are subject to notice are treated as if notice were to be given immediately.

	2023					
	Less than 1 Month LBP Million	1 to 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	**Total LBP Million**
Financial assets						
Cash and balances with central banks	76,022,718	3,466,444	3,939,897	30,862,946	47,389,868	161,681,873
Due from banks and financial institutions	16,983,783	3,077,801	4,952,094	-	-	25,013,678
Derivative financial instruments	452,527	-	-	-	-	452,527
Financial assets at fair value through profit or loss	3,998,238	-	-	-	360,302	4,358,540
Loans and advances to customers at amortised cost	4,719,310	4,681,006	2,396,296	3,065,111	1,416,820	16,278,543
Loans and advances to related parties at amortised cost	716	532,170	1,502	27,151	21,073	582,612
Debtors by acceptances	124,442	4,171	114,297	-	7,138	250,048
Financial assets at amortised cost	824,444	3,317,889	3,112,038	7,739,200	5,770,795	20,764,366
Financial assets at fair value through other comprehensive income	128,127	-	-	57,967	1,897,146	2,083,240
Total financial assets	**103,254,305**	**15,079,481**	**14,516,124**	**41,752,375**	**56,863,142**	**231,465,427**
Financial liabilities						
Due to central banks	9,916	27,650	106,811	2,441,069	133,258	2,718,704
Due to banks and financial institutions	1,547,696	11,071	139,229	709,490	419,273	2,826,759
Derivative financial instruments	312,937	-	-	-	-	312,937
Customers' deposits	176,814,324	8,896,343	7,412,300	885,032	267,027	194,275,026
Deposits from related parties	607,121	705,033	7,065	834	782	1,320,835
Debt issued and other borrowed funds	17,217	-	2,538,544	1,954,925	-	4,510,686
Engagements by acceptances	124,442	4,171	114,297	-	7,138	250,048
Lease liabilities	2	3,708	11,195	60,750	26,716	102,371
Total financial liabilities	**179,433,655**	**9,647,976**	**10,329,441**	**6,052,100**	**854,194**	**206,317,366**
Net liquidity position	**(76,179,350)**	**5,431,505**	**4,186,683**	**35,700,275**	**56,008,948**	**25,148,061**

	2022					
	Less than 1 Month LBP Million	1 to 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	Over 5 Years LBP Million	Total LBP Million
Financial assets						
Cash and balances with central banks	6,387,354	328,467	487,765	5,200,583	5,197,811	17,601,980
Due from banks and financial institutions	2,541,137	160,605	322,353	-	-	3,024,095
Loans to banks and financial institutions and reverse repurchase agreements	82,784	113,487	14,644	5,482	-	216,397
Derivative financial instruments	24,653	42,414	4,286	30,349	17,441	119,143
Financial assets at fair value through profit or loss	202,147	2,836	14,069	34,795	7,351	261,198
Loans and advances to customers at amortised cost	1,367,202	953,577	1,038,692	1,661,433	1,063,697	6,084,601
Loans and advances to related parties at amortised cost	871	211	686	60,162	3,766	65,696
Debtors by acceptances	2,100	2,937	1,596	-	422	7,055
Financial assets at amortised cost	96,757	169,836	3,001,986	2,729,300	2,220,431	8,218,310
Financial assets at fair value through other comprehensive income	16,509	27,113	190,732	557,378	240,110	1,031,842
Total financial assets	10,721,514	1,801,483	5,076,809	10,279,482	8,751,029	36,630,317
Financial liabilities						
Due to central banks	301,468	13,038	99,911	1,038,335	1,516,938	2,969,690
Due to banks and financial institutions	375,185	1,113	33,197	115,666	58,876	584,037
Due to banks under repurchase agreements	49,799	-	-	-	-	49,799
Derivative financial instruments	3,491	1,402	5,309	32,031	12,328	54,561
Customers' deposits	24,247,104	2,785,466	1,886,382	245,174	26,783	29,190,909
Deposits from related parties	58,837	1,702	740	55,127	-	116,406
Debt issued and other borrowed funds	6,153	-	40,959	425,127	463,424	935,663
Engagements by acceptances	2,100	2,937	1,596	-	422	7,055
Lease liabilities	343	690	3,600	14,053	7,011	25,697
Total financial liabilities	25,044,480	2,806,348	2,071,694	1,925,513	2,085,782	33,933,817
Net liquidity position	(14,322,966)	(1,004,865)	3,005,115	8,353,969	6,665,247	2,696,500

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	2023				
	Less than 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	More than 5 Years LBP Million	**Total LBP Million**
Financial guarantees	1,688,570	170,711	37,703	-	1,896,984
Other guarantees	799,770	286,133	175,580	-	1,261,483
Documentary credits	2,222,744	5,960	-	-	2,228,704
Loan commitments	3,985,691	16,643	209,180	-	4,211,514
	8,696,775	**479,447**	**422,463**	-	9,598,685

	2022				
	Less than 3 Months LBP Million	3 to 12 Months LBP Million	1 to 5 Years LBP Million	More than 5 Years LBP Million	Total LBP Million
Financial guarantees	231,678	8,492	9,403	3,794	253,367
Other guarantees	258,632	398,334	16,539	14,970	688,475
Documentary credits	96,868	97,001	-	-	193,869
Loan commitments	2,263,708	8,998	7,201	-	2,279,907
	2,850,886	512,825	33,143	18,764	3,415,618

MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities.

The maturity profile of the assets and liabilities at 31 December 2023 is as follows:

	Less than 1 Year LBP Million	More than 1 Year LBP Million	Total LBP Million
Assets			
Cash and balances with central banks	83,744,714	64,725,006	148,469,720
Due from banks and financial institutions	24,847,986	-	24,847,986
Derivative financial instruments	452,527	-	452,527
Financial assets at fair value through profit or loss	3,998,238	360,302	4,358,540
Loans and advances to customers at amortised cost	11,547,811	3,617,772	15,165,583
Loans and advances to related parties at amortised cost	534,041	41,010	575,051
Debtors by acceptances	242,910	7,138	250,048
Financial assets at amortised cost	6,924,111	12,301,521	19,225,632
Financial assets at fair value through other comprehensive income	128,127	1,897,146	2,025,273
Investments in associates	-	141,155	141,155
Property and equipment and right-of-use assets	-	18,524,365	18,524,365
Intangible assets	-	62,834	62,834
Assets obtained in settlement of debt	-	98,468	98,468
Other assets	7,603	1,145,094	1,152,697
Deferred tax assets	-	98,187	98,187
Goodwill	-	497,030	497,030
Assets held for sale	24,548,315	17,992,941	42,541,256
Total assets	**156,976,383**	**121,509,969**	**278,486,352**
Liabilities and shareholders' equity			
Due to central banks	140,654	2,388,557	2,529,211
Due to banks and financial institutions	1,697,996	1,128,763	2,826,759
Derivative financial instruments	312,937	-	312,937
Customers' deposits	193,078,963	1,097,216	194,176,179
Deposits from related parties	1,317,941	1,615	1,319,556
Debt issued and other borrowed funds	2,326,984	1,736,146	4,063,653
Engagements by acceptances	242,910	7,138	250,048
Other liabilities	2,146,702	255,325	2,402,027
Current tax liability	269,203	-	269,203
Deferred tax liabilities	-	310,826	310,826
Provision for risks and charges	-	4,519,041	4,519,041
Liabilities held for sale	33,859,451	5,571,406	39,430,857
Shareholders' equity	-	26,076,578	26,076,578
Total liabilities and shareholders' equity	**235,393,741**	**43,092,611**	**278,486,352**

The maturity profile of the assets and liabilities at 31 December 2022 is as follows:

	Less than 1 Year LBP Million	More than 1 Year LBP Million	Total LBP Million
Assets			
Cash and balances with central banks	6,711,666	7,592,888	14,304,554
Due from banks and financial institutions	3,016,766	-	3,016,766
Loans to banks and financial institutions and reverse repurchase agreements	210,915	5,482	216,397
Derivative financial instruments	71,353	47,790	119,143
Financial assets at fair value through profit or loss	207,066	49,679	256,745
Loans and advances to customers at amortised cost	3,344,012	2,527,108	5,871,120
Loans and advances to related parties at amortised cost	1,704	62,771	64,475
Debtors by acceptances	6,633	422	7,055
Financial assets at amortised cost	2,943,805	4,111,651	7,055,456
Financial assets at fair value through other comprehensive income	234,354	797,487	1,031,841
Investments in associates	-	14,359	14,359
Property and equipment and right-of-use assets	-	7,646,768	7,646,768
Intangible assets	-	60,777	60,777
Assets obtained in settlement of debt	-	163,400	163,400
Other assets	581,794	80,664	662,458
Deferred tax assets	-	57,195	57,195
Goodwill	-	42,442	42,442
Total assets	17,330,068	23,260,883	40,590,951
Liabilities and shareholders' equity			
Due to central banks	369,731	2,364,236	2,733,967
Due to banks and financial institutions	408,944	174,541	583,485
Due to banks under repurchase agreements	49,799	-	49,799
Derivative financial instruments	10,202	44,358	54,560
Customers' deposits	28,857,429	243,509	29,100,938
Deposits from related parties	61,223	55,127	116,350
Debt issued and other borrowed funds	6,769	816,674	823,443
Engagements by acceptances	6,633	422	7,055
Other liabilities	284,286	121,535	405,821
Current tax liability	28,996	-	28,996
Deferred tax liabilities	-	100,297	100,297
Provision for risks and charges	-	530,898	530,898
Shareholders' equity	-	6,055,342	6,055,342
Total liabilities and shareholders' equity	30,084,012	10,506,939	40,590,951

56.0. NON FINANCIAL RISKS

Non-Financial Risks (including Operational, Information and Cyber Security, as well as Business Disruption risks) are administered by an independent function reporting to the Group Chief Risk Officer.

Non-Financial risks are managed across the Group based on a set of principles and standards detailed in the Board-approved Group Operational Risk Policy and the Corporate Information Security Policy. These principles and standards include at a minimum: redundancy of mission-critical systems, segregation of duties, least-privilege principle, four-eye principle, independency of employees performing controls, reconciliations, establishment of second level controls, mandatory vacations, awareness and training. Controls are also embedded within systems and formalised in policies and procedures.

Incidents are captured and analysed to identify their root causes. Based on this analysis, corrective and preventive measures are recommended to prevent future reoccurrences. Furthermore, Risk and Control Assessments (RCAs) are conducted to identify outstanding risk exposures and control vulnerabilities associated with existing or new products, processes, activities and systems. Key Risk Indicators (KRIs) are also developed and monitored periodically to detect breaches and alarming trends. Recommendations to improve the control environment are communicated to concerned parties and issues are escalated to Management as deemed necessary. Beginning 2023, a new management committee called the Audit Findings Review Committee (AFRC) was established to ensure the appropriate and timely resolution of internal audit, external audit, BCC and regulatory compliance recommendations and findings.

Following October 2019 events, the Bank has been subject to an increased compliance risk pressure as a result of the considerable number of regulatory circulars and memos issued since that date. These regulatory requirements, in addition to changes in the operating environment, have necessitated rapid system developments/updates and implementation of new processes, which also required adequate training to employees.

To ensure the continuity and timely resumption of critical business activities due to the potential risk of system disruptions or other unforeseen events, the Bank has been continuously maintaining a world-class business continuity and disaster recovery site that was awarded the Tier 4 – Fault Tolerant Certification of Design Documents and Constructed Facility. A Business Continuity Plan (BCP) was also developed and is being kept up-to-date to minimise the risk of interruption of critical operations in case of an adverse event. Business Continuity and Disaster Recovery rehearsals are also being conducted periodically to maintain a high operational resilience.

The Bank is also abreast of latest cybersecurity threats, countermeasures, technologies and tools, and is continuously implementing technical and non-technical measures to strengthen its cyber resilience posture. External expert support is sought when needed.

Major incidents, RCA findings, KRI levels, business continuity actions and, information and cybersecurity activities are reported to the Executive Committee, Board Group Risk Committee, and Board of Directors periodically.

Insurances coverage (including cybercrime insurance) is used as an additional layer of mitigation and is commensurate with the Group business activities, in terms of volume, nature and operating environment.

57.0. LITIGATION RISK

Since 17 October 2019, the Group has been subject to an increased litigations in Lebanon and abroad, as a result of the restrictive measures adopted by Lebanese banks in relation to the withdrawal of funds and transfers abroad, as well as in relation to the repayment by customers of local foreign currency loans in Lebanese Pounds. Management is carefully considering the impact of these existing litigations and claims against the Group in relation to these restrictive measures. There are still uncertainties related to the consequences of these restrictive measures, based on the current available information and the prevailing laws and local banking practices. Due to recent development and the increasing trend in judgments ruled in favor of the plaintiffs and customers during 2021, 2022 and 2023 in Lebanon and abroad, management considers that they may affect negatively the liquidity of the Group (refer to Note 49). The amount cannot be determined presently. At the balance sheet date, shares owned by the Bank in certain local and foreign subsidiaries were placed under seizure, by court orders in relation to litigations raised by customers for the transfer of funds abroad. Also, amounts held by the Bank at foreign correspondent banks especially in France are being subject to conservatory seizures (Note 17).

Complaints have also been filed by groups of individuals against "Lebanese banks" and the chairmen of their board of directors for alleged committed crimes of tort and fraudulent bankruptcy, money laundering, fraud and breach of trust, which resulted in different legal decisions and actions on several banks. With respect to Bank Audi sal, the Bank was the target of restraining orders preventing it from disposing of its assets (Notes 26 and 28) in addition to accusations of violation of the banking secrecy law. Bank Audi sal has sought legal expertise on the matter: common consensus converges toward the fact that the claims are baseless and with no legal grounds. On 4 May 2023, a decision was rendered by the Disciplinary Council of Judges in Lebanon to suspend and dismiss the Public Prosecutor of Appeal in Mount Lebanon, noting that the decision is subject to the Supreme Disciplinary Authority. At present, the case is with the Judge of Instruction, and Management and its legal counsels are in the opinion that the case will be dismissed for the lack of legal grounds.

During 2024, in relation to another complaint raised by a depositor against the Bank, the Public Prosecutor of Mount Lebanon initiated an investigation that is still ongoing.

In addition, the Group may, from time to time, become involved in other legal or arbitration proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal claims against the Group (Note 49).

58.0. POLITICAL RISK

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

59.0. CAPITAL MANAGEMENT

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

Central Bank of Lebanon Intermediate Circular 567, issued on 26 August 2020, Intermediate Circular 649, issued on 24 November 2022, Intermediate Circular 659, issued on 21 January 2023, Intermediate Circular 685, issued on 28 December 2023, and Intermediate Circular 689 issued on 2 February 2024 introduced several key changes to the calculation of regulatory capital adequacy ratios.

These changes include:

- Raising the regulatory expected credit loss level for Lebanese government securities in foreign currency and Lebanese government-related exposures in same currency from 9.45% to 45% initially and then again to 75% (the latter level to be reached by 31 December 2026). Regulatory ECL for other exposures remain unchanged. These levels remained applicable in 2023.

Type of financial instrument	2023	2022
Exposures to Central Bank of Lebanon in foreign currency	1.89%	1.89%
Exposures to Central Bank of Lebanon in Lebanese Pounds	0%	0%
Lebanese government securities in foreign currency	75%	75%
Lebanese government securities in Lebanese Pounds	0%	0%

The Group recorded expected credit losses on Lebanese government securities in foreign currency equivalent to a loss rate of 87% (2022: 31%) relative to a loss rate of 75% by 31 December 2026.

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

- Inclusion of gains from Foreign Currency Translation Adjustments in Common Equity Tier 1, effective from 2023 whereas regulation prior to amendments brought by Intermediate Circular 689 included only losses from Foreign Currency Translation Adjustments in Common Equity Tier 1 and 50% of gains in Tier 2 capital. As a result of the change in regulation and the change in the official published exchange rate from LBP 1,507.5 to the US Dollar to LBP 15,000 to the US Dollar, Common Equity Tier 1 increased by LBP 7,789,057 million as at 31 December 2023 compared to 31 December 2022.

- Inclusion of 75% of cumulative change in the fair value of financial instruments classified at FVTOCI in Common Equity Tier 1, instead of 50% of the gain in Tier 2, as was the case previously.

- Inclusion of 75% of revaluations gain of owned real estate properties (excluding ones acquired in settlement of bad debt as per Article 154 of the Code of Money & Credit) in Common Equity Tier 1, instead of 50%. The regulatory deadline for completing the reappraisal process for such properties was set on 31 December 2023. During 2023, the Group revalued real estate properties and recorded a revaluation gain of LBP 10,343,872 million at Sayrafa exchange rate of LBP 89,500 to the US Dollar in accordance with Intermediary Circular 659 (2022: LBP 7,077,786 million at Sayrafa exchange rate of LBP 38,000 to the US Dollar). As a result of the revaluation and the increase in the allowed percentage of inclusion, CET 1 increased by LBP 9,500,640 million at 31 December 2023 compared to 31 December 2022.

- Exceptionally during 2023 and 2024, allowing banks to draw down the 2.5% capital conservation buffer on condition of rebuilding it based on future instructions by the Central Bank of Lebanon.

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

- Exceptionally for 2020 and 2021, allowing banks to include provisions for expected credit losses on Stage 1 and 2 exposures, excluding those relating to Lebanese sovereign and the Central Bank of Lebanon, under regulatory Common Equity Tier 1 (previously only stage 1 allowances were included in Tier 2 capital, subject to a 1.25% cap relative to credit risk-weighted assets). Such provisions included under CET 1 should be amortised over a period of 3 years starting 2022 and ending in 2024 by 25% yearly. Amounts included as at 31 December 2023 were LBP 743,729 million (2022: LBP 156,772 million). The increase resulted from the published official exchange rate from LBP 1,507.5 to the US Dollar to LBP 15,000 to the US Dollar.

- Exceptionally for 2022 and 2023, allowing banks to include under CET 1 part of the losses resulting from the purchase of local dollars from the Central Bank of Lebanon against Lebanese Pound for the purpose of reducing open net FX short positions prior to 17 November 2022. In 2022, 66% of these losses can be included under CET 1, while in 2023, a maximum of 33% level applies. Amounts included as at 31 December 2023 under CET 1 were LBP 340,661 million (2022: LBP 681,323 million).

The following table shows the applicable regulatory capital ratios:

	Common Tier 1 Capital Ratio	Tier 1 Capital Ratio	Total Capital Ratio
31 December 2023			
Minimum required capital ratios (waiver from capital conservation buffer)	**4.50%**	**6.00%**	**8.00%**
With the full capital conservation buffer of 2.5% (applicable in 2024)	**7.00%**	**8.50%**	**10.50%**
31 December 2022			
Minimum required capital ratios	5.25%	6.75%	8.75%
With the full capital conservation buffer of 2.5% (applicable in 2024)	7.00%	8.50%	10.50%

	2023 LBP Million	2022 LBP Million
Risk-weighted assets:		
Credit risk	230,535,287	34,953,151
Market risk	7,521,573	581,987
Operational risk	7,004,065	506,936
Total risk-weighted assets	245,060,925	36,042,074

The regulatory capital including net loss for the year as of 31 December is as follows

	2023 LBP Million	2022 LBP Million
Tier 1 capital	21,582,754	3,192,755
Of which: Common Tier 1	*20,678,254*	*2,280,036*
Tier 2 capital	1,792,167	341,950
Total capital	23,374,921	3,534,705

The capital adequacy ratio including net loss for the year as of 31 December is as follows:

	2023	2022
Capital adequacy – Common Tier 1	8.44%	6.33%
Capital adequacy – Tier 1	8.80%	8.86%
Capital adequacy – Total capital	9.54%	9.81%

The capital adequacy ratios as at 31 December 2023 and 2022 were calculated based on the recorded figures and do not take into consideration the adjustments that may result from the resolution of the uncertainties reflected in Note 1. Due to the high levels of uncertainties, the lack of observable reliable indicators, the high gap between the currency parallel market rates, the Sayrafa rate and the official published exchange rate, and the lack of visibility on the government's plans with respect to: (a) the high exposures of Lebanese banks with the Central Bank of Lebanon, (b) the Lebanese sovereign securities, and (c) the currency exchange mechanisms and currency exchange rates that will be applied, Management is unable to estimate in a reasonable manner the impact of these matters on the Group's capital adequacy. Management has concerns about the effects that the above matters will have on the capital of the Group and the recapitalisation needs that may arise once the necessary adjustments are determined and recorded, in particular as a first step, the needs and implications that might result from the accounting for the subsequent change in the official published exchange rate.

60.0. SUBSEQUENT EVENTS

Effective 31 January 2024, the official published exchange rate was changed from LBP 15,000 to the US Dollar to LBP 89,500 to the US Dollar. As a result, with all other variables held constant, the Group determined that this change resulted in a positive effect on its income statement from the financial assets and financial liabilities of entities operating in Lebanon, that have the Lebanese Pound as a functional currency and a positive effect on its equity from its subsidiaries that have a functional currency other than the Lebanese Pound. However, this change negatively impacted the capital adequacy ratios of the Group from translation of FCY-denominated risk-weighted assets.

04

Manage/ ment

1.0. GROUP AND BANK AUDI SAL MANAGEMENT

LEBANON

Chairman

Mr. Samir N. HANNA	Chairman of the Board of Directors

Group Executive Committee

Mr. Khalil I. DEBS *(Chair)*	Group Chief Executive Officer

Mr. Hassan A. SALEH	Deputy Chief Executive Officer
Mr. Michel E. ARAMOUNI	Chief Capital Markets Officer
Mr. Mouayed C. MAKHLOUF	Group Chief Wholesale and Institutional Banking Officer

Mr. Elias L. ABOUSLEIMAN	Group Chief Financial Officer
Dr. Farid F. LAHOUD	Group Chief Compliance & Governance Officer
Mr. Antoine N. NAJM	Group Chief Risk Officer
Mr. Fady A. OBEID	Chief Information & Operations Officer

Central Departments & Business Functions

Mr. Robert G. ABED	Chief of Staff
Mrs. Marion E. ABOU-JAOUDE	Head of Marketing & Communications
Mrs. Carol J. AYAT	Head of Large Corporates & Specialized Lending
Dr. Marwan S. BARAKAT	Group Chief Economist & Head of Research
Mr. Mohamad G. BAYDOUN	Head of Corporate & Commercial Banking
Mrs. Peggy S. BAZ	Head of Legal
Mr. Gebran Y. GEBRAN	Deputy CEO of “NEO by Bank Audi”
Mrs. Nayiri H. MANOUKIAN	Chief Human Resources Officer
Mrs. Rana S. NASSIF	Head of Internal Audit
Mr. Habib M. SAYDE	Head of Administrative
Mr. Bechara E. SERHAL	Head of Treasury

Mrs. Ghina M. DANDAN	Chief Customer Officer
Mr. Rabih E. BERBERY	Deputy Chief Customer Officer – Business Banking
Mrs. Grace E. EID	Deputy Chief Customer Officer – Personal Banking

Mr. Kamal S. TABBARA	Network Manager
Mr. Nagib A. CHEAIB	Regional Manager
Mrs. Elissar A. HALAWI	Regional Manager
Mr. Mohamad M. KALO	Regional Manager
Mrs. Hilda G. SADEK	Regional Manager

Financial Institutions & Correspondent Banking

Mr. Gabriel A. DROUBY	Group Financial Institutions & Correspondent Banking
	Tel: (961-1) 952405. Fax: (961-1) 989494. E-mail: gabriel.drouby@bankaudi.com.lb

Investor Relations

Ms. Sana M. SABRA	Head of Investors Relations and Strategic Projects Management
	Tel: (961-1) 977496. Fax: (961-1) 970404. E-mail: sana.sabra@bankaudi.com.lb

2.0. ENTITIES' MANAGEMENT

2.1. ODEA BANK A.Ş.

TURKEY

Board of Directors

		Member of the Credit Committee	Member of the Audit Committee	Member of the Risk Committee	Member of the Remuneration Committee	Member of the Corporate Governance Committee
Mr. Khalil I. DEBS	Chair *(Since March 2024)*	Alternate			Chair•	
Mr. Tamer M. GHAZALEH *(Until April 2024)*	Chair *(Until March 2024)*					
Mr. Mouayed C. MAKHLOUF	Vice-Chair *(Since March 2024)*	•		•	•	•
Mr. Elias L. ABOU SLEIMAN	Member			•		
Ms. Oya E. AYDINLIK	Member		Chair •			
Dr. Ayse Botan M. BERKER	Member	Alternate		Chair •		•
Mr. Hilmi S. GUVENAL	Member					•
Me. Chahdan E. JEBEYLI	Member					Chair •
Dr. Farid F. LAHOUD	Member		•			
Mr. Antoine N. NAJM	Member	•		•		
Mrs. Ebru M. OGAN KNOTTNERUS *(Until March 2024)*	Member					
Dr. Mert R. ONCU	Member	Chair •				

Senior Management

Dr. Mert R. ONCU	General Manager – Board Member
Mr. Yalcin F. AVCI	Deputy General Manager – Assistant General Manager – Commercial Banking
Mr. Mehmet Gokmen C. UCAR	Deputy General Manager – Assistant General Manager – CFO/Finance, Financial Control and Strategy
Mr. Emir Kadir F. ALPAY	Assistant General Manager – Treasury, Capital Markets and Financial Institutions
Mr. Cenk R. DEMIROZ	Assistant General Manager – Credit Allocation
Mr. Huseyin H. GONUL	Assistant General Manager – CRO / Risk Management and Internal Control
Mr. Gurcan G. KIRMIZI	Assistant General Manager – Retail Banking
Mr. Sinan Erdem S. OZER	Assistant General Manager – CIOO/Technology and Operations
Mr. Huseyin Cem H. TANER	Assistant General Manager – Credit Monitoring, Remedial and Recovery
Mrs. Ebru M. VARDAR	Assistant General Manager – Human Resources

2.2. BAPB HOLDING LIMITED

CYPRUS

Board of Directors

Mr. Elias L. ABOUSLEIMAN *(Since April 2024)*	Member
Mr. Marc J. AUDI	Member
Mr. Khalil I. DEBS	Member
Mr. Tamer M. GHAZALEH *(Until April 2024)*	Member
Mr. Alkis I. KAILOS	Member
Mr. Farid F. LAHOUD	Member
Mr. Mouayed C. MAKHLOUF *(Since April 2024)*	Member
Mr. Georgios A. MICHAEL *(Until January 2024)*	Member
Mrs. Evdokia Stavraki *(Since January 2024)*	Member
Alter Domus Services Limited	Company Secretary

2.2.1. Banque Audi (Suisse) SA
SWITZERLAND

Board of Directors

		Member of the Audit Committee	Member of the Remuneration Committee
Mr. Marc J. AUDI	Chairman		•
Mrs. Simona G. TERRANOVA	Vice-Chairman	Chair•	
Mr. Khalil I. DEBS	Member		Chair•
Mr. Christoph J. DE WECK	Member	•	
Mr. Eric J. HESS	Member	•	
Mr. Jean-Pierre R. JACQUEMOUD	Member		•
Dr. Farid F. LAHOUD	Member		
Mr. François P. TOBLER	Member		

Management

Mr. Youssef H. NIZAM	General Manager – Head of Private Banking *(ad interim)*
Mr. Gregory K. SATNARINE	Deputy General Manager – Chief Financial Officer – Chief Operating Officer
Mrs. Rania S. ABOU EL OULA	Head of Legal & Central Files – Corporate Secretary
Mr. Maher A. MENIF	Head of Compliance & Risk Control Officer

2.2.2. Audi Capital (KSA) cjsc
KINGDOM OF SAUDI ARABIA

Board of Directors

		Member of the Audit Committee	Member of the Nomination & Remuneration Committee
Mr. Abdullah I. AL HOBAYB	Chairman		Chair•
Mr. Tamer M. GHAZALEH *(Until April 2024)*	Vice-Chairman – Member		•
Mr. Mouayad C. MAKHLOUF *(Since April 2024)*	Vice-Chairman – Member		•
Mr. Chahdan E. JEBEYLI	Member	Chair•	
Mr. Youssef H. NIZAM	Member		•
Dr. Asem T. ARAB	Independent member	•	
Dr. Khalil A. KORDI	Independent member	•	

Management

Mr. Abdulaziz A. AL GHUNEIM	CEO & Head of Wealth Management
Mr. Tony G. ABOU FAYSSAL	CFO
Mr. Mohammed I. Al ZABEN	Head of Asset Management

2.3. OTHER ENTITIES

2.3.1. Bank Audi LLC
QATAR

Board of Directors

		Member of the High Credit Committee	Member of the Audit & Risk Committee
Mr. Khalil I. DEBS	Chairman	Chair•	
Mr. Elias L. ABOUSLEIMAN	Member		Chair•
Mr. Rashed Nasser S. AL-KAABI	Member		•
Mrs. Ghina M. DANDAN	Member		•
Mr. Hassan A. SALEH	Member		
Mr. Hani R. ZAOUK	Member		

Management

Mr. Chadi A. JABER	General Manager *(Since September 2023)*

2.3.2. Bank Audi France sa
FRANCE

Board of Directors

		Member of the Audit & Risk Committee	Member of the Remuneration Committee
Ms. Sherine R. AUDI	Chairman	•	
Mr. Elia S. SAMAHA	Member		
Mr. Michel E. ARAMOUNI	Member	•	•
Mr. Denis G. GILLET	Member	Chair•	•
Mr. Antoine N. NAJM	Member *(Since March 2023)*		
Bank Audi sal *(represented by Mr. Khalil I. DEBS)*	Member		Chair•
Mr. Pierre AD. MARIANI	Member		
Mr. Hassan A. SALEH	Member		

Management

Mr. Elia S. SAMAHA	General Manager – Chief Executive Officer
Mr. Noel J. HAKIM	Deputy General Manager – Chief Business Officer

2.3.3. SOLIFAC sal
LEBANON

Board of Directors

		Member of the Risk & Audit Committee	Member of the ALCO Committee	Member of the Credit Committee	Member of the AML/CFT Committee
Mr. Tamer M. GHAZALEH *(Until April 2024)*	Chairman	Chair•	Chair•	Chair•	
Mr. Mohamad G. BAYDOUN	Member	•		•	
Mr. Karl A. HADDAD	Member	•		•	
Mr. Antoine G. MEOUCHY	Member	•	•		Chair•

Management

Mrs. Lina F. SALEM	General Manager	•	•	•	

05

Add/resses

1.0. LEBANON

Bank Audi sal

Member of the Association of Banks in Lebanon
Capital: LBP 992,878,257,468 *(as at December 2023)*
Consolidated shareholders' equity:
LBP 26,081,182 *(as at December 2023)*
C.R. 11347 Beirut
List of Banks No. 56

Headquarters

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

Branches

CORPORATE BRANCHES

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

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

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

BEIRUT

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

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

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

BLISS
Kanater Bldg., Bliss Street.
Tel: (961-1) 361793. Fax: (961-1) 361796.
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

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

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

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

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

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

HADATH
El-Ain Square, Main Road.
Tel: (961-5) 464050. Fax: (961-5) 471854.
Branch Manager: Mrs. Hala N. Younes

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

NACCASH – DBAYEH
Naccash – Dbayeh Highway, East Side.
Tel: (961-4) 521671. Fax: (961-4) 521677.
Branch Manager: Mrs. Nancy S. Boustany

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Rabieh First Entrance, Street No. 5.
Tel: (961-4) 405950. Fax: (961-4) 416105.
Senior Branch Manager: Mrs. Georgina Y. Nakad

ROUEISS
Hoteit Bldg., Hady Nasrallah Blvd.
Tel: (961-1) 541146. Fax: (961-1) 541149.
Branch Manager: Mr. Hassan Z. Jaafar

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

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

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

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

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Tyre North Entrance, Main Road, Abbassieh.
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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.
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Branch Manager: Mrs. Mona K. Doummar

DIGITAL BRANCHES NETWORK

PALLADIUM DOWNTOWN
Bank Audi Palladium Bldg., Bab Idriss.

NEO PLAZA
Bank Audi Plaza Bldg., Omar Daouk Street.

ZGHARTA
North Palace Hotel, Kfarhata.

2.0. TURKEY

ODEA BANK A.Ş.

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Maslak District, Sariyer, Istanbul.
Tel: (90-212) 3048100. Fax: (90-212) 3481835.
Branch Manager: Ms. Hale Ozge M. Uzun (Retail)

SUADIYE ANATOLIAN CENTRAL BRANCH
No. 406, Bagdat Street, Suadiye District,
Kadikoy, Istanbul.
Tel: (90-216) 4685400. Fax: (90-212) 3481908.
Branch Manager: Mr. Hamit Erol 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. Yilmaz (Retail)

CADDEBOSTAN
No. 270, Bagdat Avenue, Caddebostan District,
Kadikoy, 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: Mr. Derya Asım T. Bardakci (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: Ms. Nermin I. Pacaci (Retail)

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

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)

BEYLIKDUZU
No:1 OSB District, Acelya Street, Saatli Bina Trade Center,
Beylikduzu, İstanbul
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 Manager: Mr. Hikmet S. Guncan (Commercial)

BOSTANCI
No. 62A-62B /A, Kurtoglu Suadiye Residence,Semsettin
Gunaltay Street, Kozyatagi District, Kadikoy, Istanbul.
Tel: (90-216) 5791400. Fax: (90-212) 3481894.
Branch Manager: Ms. Umut Esin I. K. Yavuz Yurdaer (Retail)

KADIKOY
No 57/A, General Asım 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)

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)

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,
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Tel: (90-212) 4093100. Fax: (90-212) 3481917.
Branch Manager: Mr. Ersin R. Evcimen (Retail)

BANK'O BRANCH
Levent 199, Buyukdere Cad. No.199 Kat: 37, Sisli
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Fax: (90-212) 3481919.
Branch Manager: Mr. Arzu Gülseren M. Camcı (Retail)

GUNESLI CORPORATE AND COMMERCIAL CENTER
No. 65, Osmanpasa Street, 34209, Baglar District,
Bagcilar, Istanbul
Tel: (90-212) 4646000 Fax: (90-212) 3481840
Branch Managers: Ms. Ayca Done H. SimSek (Commercial)

ANKARA

ANKARA CORPORATE AND COMMERCIAL CENTER
Tepe Prime Shopping Mall, Block B, No. 266, Eskisehir
Devlet Street, 9 Km, Dumlupinar District, Cankaya, Ankara.
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Branch Managers: 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. Filiz A. Yukselen (Commercial);
Ms. Deniz F. Omay (Retail)

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

UMITKOY
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GEBZE
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BURSA COMMERCIAL CENTER
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KAYSERI CARSI
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Mr. Haktan H.G. Koçkarsantilioglu

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KONYA BUSAN
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7.0. FRANCE

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