

# consolidated financial statements



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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BANK AUDI SAL – AUDI SARADAR GROUP

We have audited the accompanying consolidated financial statements of Bank Audi SAL – Audi Saradar Group (“the Bank”) and its subsidiaries (collectively “the Group”), which comprise the consolidated statement of financial position as at 31 December 2012 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 a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

### Auditors' Responsibility

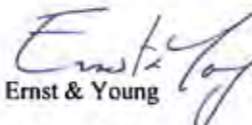
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

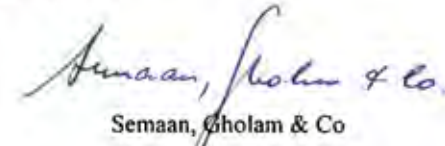
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Ernst & Young

22 March 2013  
Beirut, Lebanon

  
Semaan, Gholam & Co

Consolidated Income Statement  
For the Year Ended December 31, 2012

		(Restated)*	
		2012	2011
	Notes	LBP Million	LBP Million
<b>Continuing operations</b>			
Interest and similar income	4	2,208,509	2,056,972
Interest and similar expense	5	(1,344,819)	(1,268,750)
<b>Net interest income</b>		<b>863,690</b>	<b>788,222</b>
Fee and commission income	6	330,562	318,952
Fee and commission expense	7	(51,197)	(50,060)
<b>Net fee and commission income</b>		<b>279,365</b>	<b>268,892</b>
Net gain on financial assets at fair value through profit or loss	8	197,456	126,171
Net gain on sale of financial assets at amortised cost	9	265,812	221,014
Revenues from financial assets at fair value through other comprehensive income	27	30,245	27,720
Net gain on sale of subsidiaries and associates	10	-	2,024
Other operating income	11	22,251	48,638
<b>Total operating income</b>		<b>1,658,819</b>	<b>1,482,681</b>
Net credit losses	12	(182,585)	(137,659)
<b>Net operating income</b>		<b>1,476,234</b>	<b>1,345,022</b>
Personnel expenses	13	(411,746)	(380,856)
Depreciation of property and equipment	29	(46,088)	(38,796)
Amortisation of intangible assets	30	(7,663)	(7,045)
Impairment of goodwill	33	(21,167)	-
Other operating expenses	14	(291,959)	(242,679)
<b>Total operating expenses</b>		<b>(778,623)</b>	<b>(669,376)</b>
<b>Operating profit</b>		<b>697,611</b>	<b>675,646</b>
Share of profit of associates under equity method		551	5,133
Net gain on disposal of fixed assets		850	387
<b>Profit before tax from continuing operations</b>		<b>699,012</b>	<b>681,166</b>
Income tax	15	(154,537)	(139,514)
<b>Profit after tax from continuing operations</b>		<b>544,475</b>	<b>541,652</b>
<b>Discontinued operations</b>			
Profit from discontinued operations, net of tax	16	33,814	8,899
<b>Profit for the period</b>		<b>578,289</b>	<b>550,551</b>
<b>Attributable to:</b>			
<b>Equity holders of the Bank:</b>			
Profit for the year from continuing operations		531,419	536,798
Profit for the year from discontinued operations		33,318	7,441
<b>Non-controlling interests:</b>			
Profit for the year from continuing operations		13,056	4,854
Profit for the year from discontinued operations		496	1,458
		<b>578,289</b>	<b>550,551</b>
<b>Earnings per share:</b>			
		<b>LBP</b>	<b>LBP</b>
Basic earnings per share		1,527	1,510
Diluted earnings per share		1,526	1,507
Basic earnings per share from continuing operations		1,431	1,488
Diluted earnings per share from continuing operations		1,430	1,485

\* Restated for the effect of separate presentation of profit from discontinued operations and earnings per share information.

Consolidated Statement of Comprehensive Income  
For the Year Ended December 31, 2012

		2012	2011
	Notes	LBP Million	LBP Million
Profit for the year from continuing operations		544,475	541,652
Discontinued operations		33,814	8,899
<b>Profit for the year</b>		<b>578,289</b>	<b>550,551</b>
<b>Other comprehensive income (loss)</b>			
Exchange differences on translation of foreign operations		(126,143)	(50,362)
Net loss/gain on hedge of net investments		(3,589)	4,125
	48	(129,732)	(46,237)
Net unrealised loss on financial assets at fair value through other comprehensive income		5,613	(29,481)
Net deferred income taxes		(9,667)	(232)
	48	(4,054)	(29,713)
<b>Other comprehensive loss for the year, net of tax</b>	48	<b>(133,786)</b>	<b>(75,950)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>444,503</b>	<b>474,601</b>
<b>Attributable to:</b>			
<b>Equity holders of the Bank</b>			
		430,951	468,289
<b>Non-controlling interest</b>			
		13,552	6,312
		<b>444,503</b>	<b>474,601</b>

Consolidated Statement of Financial Position  
As at December 31, 2012

	Notes	2012 LBP Million	2011 LBP Million
<b>Assets</b>			
Cash and balances with central banks	18	9,462,380	8,703,354
Due from banks and financial institutions	19	4,280,978	4,562,602
Loans to banks and financial institutions and reverse repurchase agreements	20	1,060,267	219,084
Financial assets given as collateral	21	-	17,424
Derivative financial instruments	22	51,046	82,209
Financial assets at fair value through profit or loss	23	510,657	823,926
Loans and advances to customers at amortised cost	24	15,416,403	12,692,177
Loans and advances to related parties at amortised cost	25	304,511	263,666
Debtors by acceptances		182,715	280,819
Financial assets at amortised cost	26	14,549,116	14,307,303
Financial assets at fair value through other comprehensive income	27	245,793	223,984
Investments in associates	28	34,230	43,099
Property and equipment	29	528,710	511,550
Intangible assets	30	49,600	13,508
Non-current assets held for sale	31	50,054	26,379
Other assets	32	238,163	288,171
Goodwill	33	222,846	261,431
<b>Total assets</b>		<b>47,187,469</b>	<b>43,320,686</b>
<b>Liabilities</b>			
Due to central banks	34	133,108	133,394
Due to banks and financial institutions	35	1,171,174	1,007,558
Due to banks under repurchase agreements	35	681,487	-
Derivative financial instruments	22	56,042	58,246
Customers' deposits at amortised cost	36	39,718,890	37,097,210
Deposits from related parties at amortised cost	37	689,101	285,297
Engagements by acceptances		182,715	280,819
Other liabilities	38	408,865	832,087
Provisions for risks and charges	39	95,096	72,925
Non-current liabilities held for sale	31	14,799	-
<b>Total liabilities</b>		<b>43,151,277</b>	<b>39,767,536</b>
<b>Shareholders' equity – Group share</b>			
Share capital – Common shares	40	438,586	438,197
Share capital – Preferred shares	40	19,124	17,243
Issue premium – Common shares	41	659,206	657,846
Issue premium – Preferred shares	41	583,876	359,633
Cash contribution to capital	42	72,586	72,586
Non-distributable reserves	43	808,434	696,360
Distributable reserves	44	551,406	380,215
Treasury shares	47	(20,245)	(103,912)
Retained earnings		328,223	328,515
Other components of equity	48	(66,579)	21,056
Result of the year		564,737	544,239
		3,939,354	3,411,978
<b>Non-controlling interest</b>	49	<b>96,838</b>	<b>141,172</b>
<b>Total shareholders' equity</b>		<b>4,036,192</b>	<b>3,553,150</b>
<b>Total liabilities and shareholders' equity</b>		<b>47,187,469</b>	<b>43,320,686</b>

Consolidated Cash Flow Statement  
For the Year Ended December 31, 2012

	Notes	2012 LBP Million	2011 LBP Million
<b>Operating activities</b>			
Profit before tax from continuing operations		699,012	681,166
Profit before tax from discontinued operations		45,581	10,624
Adjustments to reconcile profit before tax to net cash flows:			
<b>Non-cash:</b>			
Depreciation and amortisation	29 & 30	55,180	47,380
Impairment of assets acquired in settlement of debt reversed	31	(4)	(602)
Net gain on financial instruments at amortised cost	9	(265,812)	(220,930)
Provisions for loans and advances	12	202,104	174,436
Recoveries of provision for loans and advances	12	(19,628)	(36,776)
Share of net profit of associates		(551)	(5,133)
Net gain on disposal of assets acquired in settlement of debt	11	(8,297)	(5,433)
Net gain on sale or disposal of fixed assets		(850)	(230)
Provision for risks and charges	39	24,856	4,448
Write-back of provisions for risks and charges	39	(7)	(4,639)
Provision for impairment of financial instruments	12	110	-
Provision for end of service benefits	39	12,826	10,303
Employees' share-based payments expense	13	-	40
Gain on sale of subsidiaries and associates	10 & 16	(48,622)	(2,024)
Gain on revaluation due to loss of control	16	(20,439)	-
Impairment of goodwill	33	31,088	-
Effect of entities deconsolidated during the year		(47,753)	-
		658,794	652,630
<b>Working capital adjustments:</b>			
Balances with the central banks, banks and financial institutions maturing in more than 3 months		(314,259)	(1,990,470)
Change in derivatives and financial assets held for trading		342,227	152,092
Change in financial assets given as collateral		17,424	(17,424)
Change in loans and advances to customers and related parties		(2,923,486)	(198,120)
Change in other assets		220,171	(50,316)
Change in deposits from customers and related parties		2,704,245	(75,584)
Change in other liabilities		(300,357)	(187,518)
Proceeds from sale of assets obtained in settlement of debt		19,068	9,140
Change in non-controlling interest		(44,334)	(36,278)
<b>Cash from (used in) operations</b>		<b>379,493</b>	<b>(1,741,848)</b>
Provisions for risks and charges paid	39	(3,997)	(4,075)
End of service benefits paid	39	(2,908)	(1,834)
Taxation paid	15	(131,373)	(121,485)
<b>Net cash flows from (used in) operating activities</b>		<b>241,215</b>	<b>(1,869,242)</b>
<b>Investing activities</b>			
Change in financial assets – other than trading		21,776	580,609
Purchase of property and equipment and intangibles	29 & 30	(182,499)	(65,301)
Investments under equity method and related loans		9,420	(7,222)
Cash collected from sale of property and equipment and intangibles		18,635	1,927
Proceeds from sale of associates and subsidiaries	16	133,212	20,880
<b>Net cash flows from investing activities</b>		<b>544</b>	<b>530,893</b>
<b>Financing activities</b>			
Issuance of preferred shares series "F"	40	226,125	-
Increase in share capital and issue premium from stock options exercise		1,748	4,395
Distribution of dividends	40	(236,179)	(230,813)
Treasury GDR transactions		59,083	(67,942)
<b>Net cash flows from (used in) financing activities</b>		<b>50,777</b>	<b>(294,360)</b>
<b>Increase (decrease) in cash and cash equivalents</b>		<b>292,536</b>	<b>(1,632,709)</b>
<b>Net foreign exchange difference</b>		<b>186</b>	<b>6,846</b>
Cash and cash equivalents at January 1		5,299,740	6,925,603
<b>Cash and cash equivalents at December 31</b>	50	<b>5,592,462</b>	<b>5,299,740</b>
<b>Operational cash flows from interest and dividends</b>			
Interest paid		(1,316,918)	(1,288,577)
Interest received		2,228,143	2,092,214
Dividends received		30,418	30,086

Consolidated Statement of Changes in Equity  
For the Year Ended December 31, 2012

	Attributable to the equity holders of the Bank						Distributable Reserves LBP Million	Treasury Shares LBP Million	Retained Earnings LBP Million	Other Components of Equity LBP Million	Result of the Year LBP Million	Total LBP Million	Non-controlling Interest LBP Million	Total Shareholders' Equity LBP Million
	Share Capital – Common Shares LBP Million	Share Capital – Preferred Shares LBP Million	Issue Premium – Common Shares LBP Million	Issue Premium – Preferred Shares LBP Million	Cash Contribution to Capital LBP Million	Non-distributable Reserves LBP Million								
Balance at January 1, 2012	438,197	17,243	657,846	359,633	72,586	696,360	380,215	(103,912)	328,515	21,056	544,239	3,411,978	141,172	3,553,150
Net profits for the year	-	-	-	-	-	-	-	-	-	-	564,737	564,737	13,552	578,289
Other comprehensive income	-	-	-	-	-	-	-	-	-	(133,786)	-	(133,786)	-	(133,786)
Total comprehensive income	-	-	-	-	-	-	-	-	-	(133,786)	564,737	430,951	13,552	444,503
Appropriation of 2011 profits	-	-	-	-	-	133,284	1,505	-	172,828	-	(307,617)	-	-	-
Distribution of dividends on ordinary shares	-	-	-	-	-	443	-	-	-	-	(210,712)	(210,269)	-	(210,269)
Distribution of dividends on preferred shares	-	-	-	-	-	-	-	-	-	-	(25,910)	(25,910)	-	(25,910)
Issue of preferred shares	-	1,881	-	224,243	-	-	-	-	-	-	-	226,124	-	226,124
Employees' share-based payments	389	-	1,360	-	-	(587)	-	-	(2,247)	-	-	(1,085)	-	(1,085)
Entities deconsolidated during the year	-	-	-	-	-	(8,219)	(19,637)	-	24,690	420	-	(2,746)	-	(2,746)
Entities under equity method	-	-	-	-	-	-	-	-	(723)	-	-	(723)	-	(723)
Treasury shares transactions	-	-	-	-	-	(24,583)	-	83,667	-	-	-	59,084	-	59,084
Non-controlling interest share of capital	-	-	-	-	-	-	-	-	-	-	-	-	(12,840)	(12,840)
Non-controlling interest share of reserves	-	-	-	-	-	(138)	(4,308)	-	5,682	43,810	-	45,046	(45,046)	-
Reserve for share option agreements	-	-	-	-	-	-	6,844	-	-	-	-	6,844	-	6,844
Transfer between reserves	-	-	-	-	-	12,086	186,781	-	(200,788)	1,921	-	-	-	-
Other movements	-	-	-	-	-	(212)	6	-	266	-	-	60	-	60
<b>Balance at December 31, 2012</b>	<b>438,586</b>	<b>19,124</b>	<b>659,206</b>	<b>583,876</b>	<b>72,586</b>	<b>808,434</b>	<b>551,406</b>	<b>(20,245)</b>	<b>328,223</b>	<b>(66,579)</b>	<b>564,737</b>	<b>3,939,354</b>	<b>96,838</b>	<b>4,036,192</b>
Balance at January 1, 2011 before early adoption of IFRS 9	436,990	17,243	652,938	359,633	72,586	549,550	505,597	(37,163)	209,541	195,814	508,556	3,471,285	177,450	3,648,735
Effect of IFRS 9 early adoption	-	-	-	-	-	-	-	-	(5,666)	(101,875)	-	(107,541)	-	(107,541)
Balance at January 1, 2011 after early adoption of IFRS 9	436,990	17,243	652,938	359,633	72,586	549,550	505,597	(37,163)	203,875	93,939	508,556	3,363,744	177,450	3,541,194
Net profits for the year	-	-	-	-	-	-	-	-	-	-	544,239	544,239	6,312	550,551
Other comprehensive income	-	-	-	-	-	-	-	-	-	(75,950)	-	(75,950)	-	(75,950)
Total comprehensive income	-	-	-	-	-	-	-	-	-	(75,950)	544,239	468,289	6,312	474,601
Appropriation of 2010 profits	-	-	-	-	-	147,469	18,822	-	111,452	-	(277,743)	-	-	-
Distribution of dividends on ordinary shares	-	-	-	-	-	-	-	-	-	-	(208,671)	(208,671)	-	(208,671)
Distribution of dividends on preferred shares	-	-	-	-	-	-	-	-	-	-	(22,142)	(22,142)	-	(22,142)
Employees' share-based payments	1,207	-	4,908	-	-	(1,720)	-	-	-	-	-	4,395	-	4,395
Entities deconsolidated during the year	-	-	-	-	-	(348)	(4,739)	-	2,886	1,140	-	(1,061)	-	(1,061)
Entities under equity method	-	-	-	-	-	-	-	-	594	-	-	594	-	594
Treasury shares transactions	-	-	-	-	-	(1,193)	-	(66,749)	-	-	-	(67,942)	-	(67,942)
Non-controlling interest share of capital	-	-	-	-	-	-	-	-	-	-	-	-	(41,145)	(41,145)
Non-controlling interest share of reserves	-	-	-	-	-	(7,395)	(2,295)	-	11,810	(675)	-	1,445	(1,445)	-
Reserve for share option agreements	-	-	-	-	-	-	(126,992)	-	-	-	-	(126,992)	-	(126,992)
Transfer between reserves	-	-	-	-	-	9,628	(10,187)	-	(2,043)	2,602	-	-	-	-
Other movements	-	-	-	-	-	369	9	-	(59)	-	-	319	-	319
<b>Balance at December 31, 2011</b>	<b>438,197</b>	<b>17,243</b>	<b>657,846</b>	<b>359,633</b>	<b>72,586</b>	<b>696,360</b>	<b>380,215</b>	<b>(103,912)</b>	<b>328,515</b>	<b>21,056</b>	<b>544,239</b>	<b>3,411,978</b>	<b>141,172</b>	<b>3,553,150</b>