



Byblos Bank S.A.L

**Highlights of the Board of Directors' report on
the Audited Consolidated Financial Statements
as at 31/12/2016
to the Ordinary General Assembly held on 28-Apr-2017
of Byblos Bank Shareholders**

Key Performance Indicators as at 31 December 2016

USD Million	Dec-15	Dec-16	Growth Dec-16/Dec-15 Volume	%
Total Assets	19,869	20,812	942	4.7%
Total Deposits	16,637	17,102	465	2.8%
Total Net Loan Portfolio	4,931	5,179	248	5.0%
Total NPL	239	199	(39)	-16.5%
Total Equity	1,991	2,083	92	4.6%
Total Lebanese Sovereign Exposure	6,888	6,801	(86)	-1.3%
<i>Out of which Treasury Bills</i>	4,034	3,515	(518)	-12.8%
<i>Out of which Central Bank CDs</i>	2,854	3,286	432	15.1%
Total Loans / Assets	24.82%	24.89%		
Total Loans / Deposits	29.64%	30.29%		
Total NPL / Total Loans	4.60%	3.68%		
Total Provision to NPL *	109.73%	94.88%		
Coverage Ratio of non-performing loans **	73.22%	68.71%		
Leverage ratio	9.98 x	9.99 x		
Basle III Capital Adequacy Ratio	17.7%	18.4%		

Number of Employees	2,544	2,602	58	2.3%
<i>Out of which insurance companies employees</i>	136	140	4	2.9%
Number of Branches	105	108	3	2.9%

Total Loans/Number of Staff	1.9	2.0		
Total Deposits/Number of Staff	6.5	6.6		
Total Assets/Number of Staff	7.8	8.0		
Net Income/Number of Staff	0.06	0.06		

Total Loans/Number of Branches	47.0	48.0		
Total Deposits/Number of Branches	158.4	158.4		
Total Assets/Number of Branches	189.2	192.7		
Net Income/Number of Branches	1.5	1.5		

USD Million	Dec-15	Dec-16	Growth Dec-16/Dec-15 Volume	%
Total Net Profit	161.5	165.3	3.8	2.4%
Provision for doubtful loans (Specific & General)	24.2	6.0	(18.2)	-75.2%
Provisions for Central Bank of Erbil / Central Bank of Sudan	23.6	-1.0	(24.7)	
Recoveries	16.1	8.4	(7.6)	-47.5%
Total Corporate Taxes	35.2	76.1	40.9	116.1%

Return on Assets ROA	1.01%	0.82%		
Return on Common Equity ROCE	9.48%	9.21%		
Net Interest Margin	1.41%	1.44%		
Net Interest Spread	1.03%	1.05%		
Earning per Share EPS (common) in LBP	319.2	327.2		
Price Earning P\E (common)	7.60	7.83		
Market Price to Book Value	0.72	0.69		
Book Value per Share in USD	2.25	2.45		

General Expenses	214.0	241.6	27.6	12.9%
<i>Salaries and related staff expenses</i>	119.9	129.9	9.9	8.3%
<i>Operational Expenses</i>	78.4	88.5	10.1	12.9%
<i>Impairment of Goodwill</i>	0.0	8.2	8.2	
<i>Depreciation</i>	15.7	15.0	(0.7)	-4.6%
Provision for risks and charges	0.0	76.0	76.0	
Loss from deconsolidating foreign entities	0.0	127.6	127.6	
Cost-to-Income	46.89%	34.16%		
Operating expenses / Assets	1.33%	1.15%		

* Provisions including specific, general, collective and reserved interests

** Provisions include only specific and reserved interest on non-performing loans

Deconsolidation of Byblos Bank Syria & Byblos Bank Africa

Byblos Bank Syria, which is 59.87% owned by the Group, as well as Byblos Bank Africa, which is 56.86%, are operating since more than 5 years in difficult environments where there is war, conflicts, sanctions, limited foreign currencies, as well as local currency sharp devaluation, and which are expected to continue for the foreseeable future, effective 31 December 2016, we concluded that we no longer met the accounting criteria for consolidation of our Syrian and Sudanese subsidiary due to a loss of control, and therefore we deconsolidated them both as of 31 December 2016.

The deconsolidation of the Byblos Bank Syria resulted in the recognition of a negative impact on the consolidated income statement for the year 2016, in the amount of LBP 144,504 million, which includes:

- Negative impact of LBP 107,282 million deriving from losses from the translation into Lebanese Lira of the financial statements of the subsidiary previously recognized under equity and reclassified to the consolidated income statement; and
- Negative impact of LBP 37,222 million due to the full-write off of the net assets of the subsidiary.

The deconsolidation of the Byblos Bank Africa resulted in the recognition of a negative impact on the consolidated income statement for the year 2016, in the amount of LL 43,062 million, which includes:

- Negative impact of LBP 30,608 million deriving from losses from the translation into Lebanese Lira of the financial statements of the subsidiary previously recognized under equity and reclassified to the consolidated income statement; and
- Negative impact of LBP 12,454 million due to the full-write off of the net assets of the subsidiary.

As a consequence of the deconsolidation, effective 1 January 2017, the Group shall no longer include the results of the Syrian and Sudanese subsidiary in its consolidated financial statements. Further, dividends and inter-bank interest will be recorded as income and expense upon receipt or payment. We will monitor the extent of our ability to control our Syrian and Sudanese operations as our current situation in Syria and Sudan may change over time and lead to consolidation at a future date.

Growth

- Total assets amounted to LBP 31,374 billion (USD 20,812 million) at the end of Dec-2016 increasing by 4.7% (+LBP 1,419 billion/+ USD 942 million) compared to 2015.
- Cash and due from banks (including central bank) amounted to LBP 12,405 billion (USD 8,229 million) at the end of Dec-2016 increasing by 13.3% (+LBP 1,453 billion/+USD 964 million) from the end of Dec-2015.
- Total financial instruments amounted to LBP 10,532 billion (USD 6,986 million) at the end of Dec-2016 compared to LBP 10,916 billion (USD 7,241 million) at the end of Dec-2015, thus decreasing by 3.5%.
 - Lebanese sovereign exposure (Lebanese Government instruments and Central Bank CDs) decreased by 1.3% (- LBP 130 billion/ -USD 86 million) during 2016 to reach LBP 10,253 billion (USD 6,801 million) at the end of Dec-2016 representing 32.7% of total assets lower than the 34.7% at the end of Dec-2015.
- Net loan portfolio amounted to LBP 7,808 billion (USD 5,179 million) at the end of Dec-2016 increasing by 5.0% compared to 2015.

The distribution of the gross loan portfolio by economic sector as the end of Dec-2016 was as follow:

Loans by economic sector	Percentage
Industry	12.4%
Services	11.8%
Trade	23.5%
Real Estate	3.7%
Contracting	10.3%
Agriculture	1.7%
Others	0.9%
Retail	35.7%
- <i>Housing</i>	19.8%
- <i>Personal</i>	9.6%
- <i>Car</i>	2.3%
- <i>Credit Cards</i>	1.2%
- <i>Kafalat</i>	1.4%
- <i>Business</i>	1.3%
- <i>Others</i>	0.1%

- Total non-performing loans amounted to LBP 300 billion (USD 199 million) at the end of Dec-2016 representing 3.7% of total loans compared to 4.6% at the end of Dec-2015 and covered by specific provisions, general provisions, and reserved interest by 94.9% at the end of Dec-2016 compared to 109.7% at the end of Dec-2015.
- Total customers' deposits amounted to LBP 25,782 billion (USD 17,102 million) at the end of Dec-2016 increasing by 2.8% (+LBP 702 billion/+USD 465 million) compared to 2015.
- Total equity amounted to LBP 3,140 billion (USD 2,083 million) at the end of Dec-2016 increasing by 4.6% (+LBP 139 billion/+USD 92 million).

Profitability

- Net income amounted to LBP 249.2 billion (USD 165.3 million) in 2016 increasing by 2.4% compared to 2015.
- ROA amounted to 0.82% at the end of Dec-2016 compared to 1.01% at the end of Dec-2015.
- ROCE amounted to 9.21% at the end of Dec-2016 compared to 9.48% at the end of Dec-2015.
- Net interest income amounted to LBP 428.6 billion (USD 284.3 million) in 2016 increasing by 7.4% compared to 2015.
 - Interest Income amounted to LBP 1,604.8 billion (USD 1,064.5 million) in 2016 compared to LBP 1,502 billion (USD 996.4 million) in 2015 increasing by 6.8%.
 - Interest Paid amounted to LBP 1,176 billion (USD 780.2 million) in 2015 compared to LBP 1,102.8 billion (USD 731.5 million) in 2015 increasing by 6.7%.
- Net Interest Spread reached 1.05% at the end of Dec-2016 compared to 1.03% at the end of Dec-2015.
- Net specific provisions allocated in 2016 amounted to LBP 23.5 billion (USD 15.6 million). The bank recovered LBP 1.5 billion (USD 1.0 million) on the Central Bank of Sudan compared to a provision allocated in 2015 for both Central Bank of Erbil and the Central Bank of Sudan in the amount of LBP 35.6 billion (USD 23.6 million). Recoveries on general and collective provisions in 2016 amounted to LBP 14.5 billion (USD 9.6 million).
- Net commissions amounted to LBP 121.6 billion (USD 80.7 million) in 2016 compared to LBP 122.0 billion (USD 80.9 million) in 2015, therefore decreasing by 0.3%.
- Net profit from financial operations (realized and unrealized) amounted to LBP 451.6 billion (USD 299.6 million) in 2016 compared to LBP 145.9 billion (USD 96.8 million) in 2015 increasing by 209.5%.

- General expenses increased by 9.0% (+LBP 29.2 billion/+USD 19.3 million) and amounted to LBP 351.8 billion (USD 233.4 million) in 2016.
 - Salaries and staff expenses increased by 8.3% (+LBP 15 billion/+USD 9.9 million) and amounted to LBP 195.8 billion (USD 129.9 million) in 2016.
 - Other operating expenses increased by 12.9% (+LBP 15.2 billion/+USD 10.1 million) and amounted to LBP 133.5 billion (USD 88.5 million) in 2016.

- Impairment of goodwill from the acquisition of Bank Pharaon & Chiha amounted to LBP 12,427 million (US\$ 8.2 million).

- Cost-to-income ratio amounted to 34.16% in 2016 compared to 46.89% in 2015.

Byblos Bank SAL	<u>Net Income</u> available for distribution	<u>Net Income</u> not available for distribution	<u>Total</u>
	in L.L Million	in L.L Million	in L.L Million
Income Appropriation Proposal			
Byblos Bank Un-consolidated Profits	186,622	47,230	233,851
Less:			
Appropriation to the required reserves			
Appropriation to legal reserve	(23,642)	0	(23,642)
Appropriation to Reserves for capital increase as per Central Bank Circular no. 446	0	(43,130)	(43,130)
Appropriation to Reserves for capital increase - gain on disposal of foreclosed properties as per Banking Control Commission circular no.173	0	(4,100)	(4,100)
Appropriation to Reserves for Foreclosed Properties	(2,334)	0	(2,334)
Appropriation to the General Reserve for retail loans portfolio as per Banking Control Commission circular no. 280	(3,129)	0	(3,129)
	157,517	0	157,517
Less:			
Dividends for Preferred Shares 2008-2009 series - 8 US\$ per share (CV L.L. 12,112) (L.L. 11,506.4 net of 5% distribution tax))	(48,448)	0	(48,448)
	109,069	0	109,069
Add:			
Retained earnings as of 31-Dec-2016	6,502	4,428	10,930
Unrealized Loss on Portfolio Held at Fair Value through PL	120	(120)	0
	115,691	4,308	119,999
Less:			
Dividends for common shares (L.L. 200 per share, L.L. 190 net of 5% distribution tax)	(113,103)	0	(113,103)
Retained earnings 2016	2,588	4,308	6,896

Semaan Bassil

Chairman - General Manager

28 April 2017