

Press Release

Bank Audi Consolidated Activity Highlights as at End-June 2018

Beirut, July 30, 2018

- **US\$ 44.9 billion of assets**
- **US\$ 31.3 billion of customers' deposits**
- **US\$ 14.6 billion of loans to customers**
- **US\$ 4.0 billion of shareholders' equity**
- **US\$ 265 million of net profits in the first half of 2018**, rising by 25% relative to the recurrent net profits of the corresponding period of 2017

While Lebanon has witnessed in the first half of the year the early adoption of a 2018 public budget regularizing the state's accounts and a number of successful international support conferences as well as the achievement of the parliamentary elections, the country's economy remains subdued. Meanwhile, amid a slight increase in financial inflows and a corollary surplus in the balance of payments, banking activity was sound, with satisfactory deposit growth but with negative lending growth. Deposit growth reported US\$ 3.7 billion over the first 5 months of 2018, similar to the same period last year. In addition, the average life of Lebanese Pound deposits reported a noticeable increase from circa 40 days in October 2017 to more than 120 days today, reinforcing the monetary position and the stability of the currency.

In Egypt and Turkey where Bank Audi has a significant presence, economic performances were uneven. The Egyptian economy moved closer to macroeconomic stability and market confidence has been gradually restored. As a result, growth is edging up to 5.3% in fiscal year 2017/18 and core inflation is falling gradually. On the other hand, Turkey started with an adequate economic performance in the first few months of 2018, buoyed by higher consumption and investment spending, before pressures emerged on the Lira and on consumer prices in May, due to a widening current account deficit driven by high growth rates within the context of a retreat in the interest of emerging markets investors and capital inflows to this region. Nonetheless, this background did not prevent our subsidiaries in Egypt and Turkey to develop their activity and generate satisfactory results.

In fact, Bank Audi sal achieved a good performance in the first half of 2018, attributed to an improvement in operating conditions and the optimization of resources deployed in addition to the adopted conservative and balanced risk management policy. Accordingly, consolidated net profits of Bank Audi rose to US\$ 265 million, representing a growth by 25% relative to the recurrent net profits of the corresponding period of 2017. The contribution of entities abroad to consolidated net profits reached US\$ 95 million, of which US\$ 39 million in Odea Bank in Turkey and US\$ 33 million in Bank Audi Egypt. This resulted into a further reinforcement of the financial standing and overall efficiency of the Group, as witnessed by a 70.1% primary liquidity to customers' deposits ratio, a 4.1% gross doubtful loans to gross loans ratio, an 18.3% capital adequacy ratio and a 14.7% return of average common equity ratio.

In details:

- Consolidated assets reached US\$ 44.9 billion at end-June 2018 as compared to US\$ 43.8 billion as at end-December 2017, corresponding to a growth of 2.5%. Accordingly, consolidated assets expanded by US\$ 1.1 billion, representing a nominal increase which takes into account the devaluation of the Turkish Lira. When adopting a constant exchange rate (the same as the one at end-December 2017), the real increase would have reached US\$ 1.9 billion. In parallel, total assets

under management, comprising of fiduciary deposits, custody accounts and assets under management, increased from US\$ 11 billion as at end-December 2017 to US\$ 12 billion, with total consolidated assets and assets under management reaching US\$ 56.9 billion as at end-June 2018. The size of Bank Audi makes it the only Lebanese bank to be ranked among the top 20 Arab banking groups.

- Consolidated customers' deposits amounted to US\$ 31.3 billion at end-June 2018 while consolidated net loans reached US\$ 14.6 billion, both registering contractions relative to end-December 2017 attributed principally to the adopted strategy favouring activity consolidation in the Group's main markets of presence while forgoing unstable costly deposits and not renewing some maturing loans with limited ancillary contribution to the franchise building.
- Consolidated gross doubtful loans reached US\$ 624 million as at end-June 2018, almost the same level as at end-December 2017. In parallel, gross doubtful loans represented 4.1% of gross loans as at end-June 2018 as compared to 3.5% as at end-December 2017, whereby this evolution is exclusively attributed to the 11.4% contraction in gross loans as a result of the adopted policy rather than to a deterioration in the loan quality. In the first half of 2018, Management allocated US\$ 60 million of net loan loss provisions. The coverage ratio of doubtful loans by specific provisions and real guarantees reached 101% at end-June 2018, of which 60% by specific provisions, while consolidated collective provisions on loans and advances amounted to US\$ 204 million, representing 1.4% of net loans.
- In parallel, the Bank's capital adequacy ratio as per Basel III improved from 16.9% at end-December 2017 to 18.3% at end-June 2018 while the core equity Tier one ratio (CET1) increased from 10.5% to 11.1%. In addition, primary liquidity placed with central banks and foreign banks continued to represent a high level when compared to regional and global benchmarks, standing at 70.1%.
- At the profitability level, Bank Audi registered in the first half of 2018 a growth in its consolidated net profits of 25% relative to the net profits before discontinued operations achieved in the corresponding period of 2017, to reach US\$ 265 million. This performance is principally attributed to the adopted conservative and balanced policy across all Group entities and which translated in an increase in net interest income by US\$ 74 million over the same period resulting from an improvement in consolidated spread by 34 basis driven by spread improvement across all entities. The increase in net interest income would have amounted to US\$ 117 million if there were no new taxes on financial investments in Lebanon. The increase in the net interest income was offset by a decrease in non-interest income tied mainly to a decrease in profits from financial instruments, be it shares and bonds, within the context of an adopted policy to gradually replace market operations subject to fluctuations by recurrent non-interest income arising from the Bank's core activities.

In addition, the performance management strategy aiming at optimizing deployed resources has started to yield results with a reinforcement of the overall efficiency, as indicated by the decrease in consolidated general operating expenses in the first half of 2018 as compared to the first half of 2017 by US\$ 56 million, of which US\$ 18 million in Lebanon and US\$ 38 million in entities abroad. Nonetheless it is important to adjust the latter from the currency translation effect of the devaluation of the Turkish Lira estimated at US\$ 9 million. Savings in general operating expenses in Lebanese entities were achieved while maintaining the same staff count and developing the branch network.

- Based on such results, the Bank's return on average assets improved to 1.22% as compared to 1.06% as at end-December 2017 while the return on average common equity increased from 13.4% as at end-December 2017 to 14.7% as at end-June 2018. In parallel, the earnings per common share rose from US\$ 1.03 in 2017 to US\$ 1.20 on an annualised basis in the first half of 2018.

In conclusion, our medium term strategy revolves around strengthening our leadership position in the Lebanese market. In parallel, we are seeking to improve our privileged positioning in the Turkish and Egyptian markets, among privately owned commercial banks. To this end, the Group

does not hesitate to enhance the deployment of required resources to develop its human and technical capacities, particularly in the field of digital banking, in addition to the diversification of its products and services. Our goal is to keep up with the development dynamics of the banking profession and to ensure our constant readiness to meet the needs of our customers who are becoming more demanding and more involved in the world of innovation. The ensuing natural outcome should be a steady growth of assets and earnings in the years to come.

Among Top Regional Banking Groups

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Investor Relations application



2018

**AMONG THE TOP REGIONAL
BANKING GROUPS**

USD 44.9 billion in total
assets as at 30/6/2018

consolidated activity highlights

IN US DOLLARS

AT END-JUNE 2018

Bank Audi

- USD 31.3 billion of total customers' deposits
- USD 14.6 billion of total loans to customers
- USD 4.0 billion of total shareholders' equity
- USD 265 million of net profits in the first half 2018,
rising by 25% relative to the recurrent net profits of the corresponding period of 2017
- USD 95 million of those profits are generated in entities outside Lebanon,
of which USD 39 million in Odea Bank in Turkey and USD 33 million in Bank Audi Egypt

Main Financial Indicators

- 70.1% of primary liquidity to customers' deposits ratio
- 18.3% of capital adequacy ratio as per Basel III,
of which 11.1% of Common Equity Tier 1 ratio
- 4.1% of gross doubtful loans to gross loans ratio,
covered up to 101% by specific provisions and real guarantees
- USD 267 million of collective provisions
- 14.7% of return on average common equity

A UNIVERSAL AND INNOVATIVE BANKING OFFERING
CATERING TO 1.1 MILLION CUSTOMERS SERVED THROUGH
202 BRANCHES AND 6,300 EMPLOYEES IN 11 COUNTRIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/6/2018 USD Thousands	31/12/2017 USD Thousands
ASSETS		
Cash and balances with central banks	13,071,968	13,165,412
Due from banks and financial institutions	1,644,414	965,010
Loans to banks and financial institutions and reverse repurchase agreements	77,712	801,682
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	470,603	264,069
Shares and participations at fair value through profit and loss	40,891	40,484
Debt instruments and other similar financial assets at fair value through profit and loss	181,338	951,522
Of which: net loans and advances at fair value through profit and loss	22,690	31,614
Net loans and advances to customers at amortised cost	14,454,751	16,186,257
Net loans and advances to related parties at amortised cost ⁽¹⁾	117,685	107,339
Debtors by acceptances	277,267	150,512
Debt instruments classified at amortised cost ⁽²⁾	12,713,326	9,832,401
Shares and participations at fair value through other comprehensive income	99,766	104,827
Debt instruments and other similar financial assets at fair value through other comprehensive income	473,321	-
Investments in associates	97,998	89,192
Assets taken in settlement of debts	117,846	95,561
Property and equipment	576,698	586,666
Intangible fixed assets	48,111	50,576
Non-current assets held for sale	-	-
Other assets	367,534	331,995
Goodwill	28,333	28,334
TOTAL ASSETS	44,859,562	43,751,839

⁽¹⁾ Loans granted to related parties against cash collateral amounted to USD 85 million.

⁽²⁾ Includes an amount of USD 1,403 million with risk ceded to customers.

	30/6/2018 USD Thousands	31/12/2017 USD Thousands
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	419,327	499,080
- Financing commitments given to customers	3,070,066	3,305,167
Bank guarantees		
- Guarantees given to banks and financial institutions	67,312	147,759
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	100,208	818,986
Of which: credit derivatives	-	-
- Guarantees given to customers	1,407,701	1,493,460
- Guarantees received from customers	23,089,889	24,395,771
Financial notes commitments		
- Financial notes commitments to be received	-	-
Of which: financial instruments sold with a buy back option	-	-
- Financial notes commitments to be delivered	-	-
Of which: financial instruments purchased with a buy back option	-	-
Foreign currencies forwards		
- Foreign currencies to receive	7,283,218	7,401,225
- Foreign currencies to deliver	7,297,931	7,411,882
Commitments on term financial instruments	13,669,753	6,117,424
Other commitments		
Claims from legal cases		
Fiduciary accounts	2,101,828	1,953,441
- Under specific instructions	2,086,633	1,936,522
- Under discretionary investments	15,195	16,919
Assets under management	9,867,008	8,987,616
Mutual funds	52,879	49,016
Structured financial products		
Engagement unlikely to be executed	-	-
Bad debts written off during the year	72,850	3,296

	30/6/2018 USD Thousands	31/12/2017 USD Thousands
LIABILITIES		
Due to central banks	5,553,000	2,634,492
Due to banks and financial institutions and repurchase agreement	1,824,209	1,887,294
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	408,207	136,242
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	30,889,983	32,953,802
Deposits from related parties	430,290	497,660
Debt issued and other borrowed funds	-	-
Engagements by acceptances	277,267	150,512
Other liabilities	340,968	390,504
Provisions for risks and charges	291,127	94,017
Subordinated loans and similar debts	818,836	819,415
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	40,833,887	39,563,938
Shareholders' Equity - Group share		
Share capital - Common shares	440,984	440,984
Share capital - Preferred shares	8,274	8,274
Issue premium - Common shares	586,124	586,124
Issue premium - Preferred shares	741,726	741,726
Subsidiary shares warrants	8,377	8,377
Share capital and cash contribution to capital	48,150	48,150
Non-distributable reserves	1,268,919	1,140,907
Distributable reserves	287,081	287,022
Treasury shares	(3,877)	(62,708)
Retained earnings	946,681	827,137
Proposed dividends	-	-
Revaluation reserve of real estate	236,907	236,907
Reserve on revaluation of financial assets at fair value through other comprehensive income	2,126	582
Reserve for cash flow hedges	(1,810)	-
Remeasurement actuarial (gain)/Loss on defined benefit plan	(8,495)	(8,495)
Share of associates' other comprehensive income under equity method	3,624	3,016
Foreign currency translation reserve	(999,248)	(847,612)
Net (loss) gain on hedge of net investments in foreign entities	-	(7,777)
Result of the period	255,828	538,121
Shareholders' equity - Group share	3,821,371	3,940,735
Non-controlling interest	204,304	247,166
Total shareholders' equity	4,025,675	4,187,901
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	44,859,562	43,751,839



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/6/2018 USD Thousands	30/6/2017 USD Thousands
Interest and similar income	1,465,389	1,368,585
Interest and similar expense	(883,310)	(834,188)
Net interest margin	582,079	534,397
Fee and commission income	123,982	157,451
Fee and commission expense	(18,704)	(30,689)
Net fee and commission income	105,278	126,762
Net gain on financial assets or liabilities at fair value through profit and loss	32,539	29,263
Of which: interest income	4,840	18,756
Net gain on financial investments	10,158	12,440
Other operating income	10,066	31,561
Total operating income	740,120	734,423
Net provisions for credit losses	(59,688)	(71,470)
Net operating income	680,432	662,953
Personnel expenses	(188,797)	(217,694)
Other operating expenses	(121,205)	(144,305)
Depreciation of property and equipment	(20,900)	(24,468)
Amortisation of intangible assets	(7,750)	(7,710)
Impairment on goodwill and investments	-	-
Total of operating expenses	(338,652)	(394,177)
Operating profit	341,780	268,776
Share of profit of associates under equity method	721	1,079
Net gain (loss) on disposal of other asset	141	552
Profit before tax	342,642	270,407
Income tax	(77,253)	(57,646)
Profit after tax	265,389	212,761
Result of discontinued operations, net of tax	-	95,293
Profit for the period	265,389	308,054
Minority share profit for the period	9,561	10,072
Group share profit for the period	255,828	297,982
Basic earnings per share USD	0.59	0.72
Basic earnings per share from continuing operations USD	0.59	0.48

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2018

**AMONG THE TOP REGIONAL
BANKING GROUPS**

**LBP 67,626 billion in total
assets as at 30/6/2018**

**consolidated
activity highlights**

IN LEBANESE POUNDS

AT END-JUNE 2018

Bank Audi

- **LBP 47,215 billion of total customers' deposits**
- **LBP 21,968 billion of total loans to customers**
- **LBP 6,069 billion of total shareholders' equity**
- **LBP 400 billion of net profits in the first half 2018**
rising by **25%** relative to the recurrent net profits of the corresponding period of 2017
- **LBP 143 billion of those profits are generated in entities outside Lebanon,**
of which **LBP 59 billion** in Odea Bank in Turkey and **LBP 49 billion** in Bank Audi Egypt

Main Financial Indicators

- **70.1% of primary liquidity to customers' deposits ratio**
- **18.3% of capital adequacy ratio as per Basel III,**
of which **11.1%** of Common Equity Tier 1 ratio
- **4.1% of gross doubtful loans to gross loans ratio,**
covered up to **101%** by specific provisions and real guarantees
- **LBP 403 billion of collective provisions**
- **14.7% of return on average common equity**

A UNIVERSAL AND INNOVATIVE BANKING OFFERING
CATERING TO 1.1 MILLION CUSTOMERS SERVED THROUGH
202 BRANCHES AND 6,300 EMPLOYEES IN 11 COUNTRIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/6/2018 LBP Million	31/12/2017 LBP Million
ASSETS		
Cash and balances with central banks	19,705,992	19,846,859
Due from banks and financial institutions	2,478,954	1,454,753
Loans to banks and financial institutions and reverse repurchase agreements	117,151	1,208,536
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	709,434	398,084
Shares and participations at fair value through profit and loss	61,643	61,030
Debt instruments and other similar financial assets at fair value through profit and loss	273,367	1,434,420
Of which: net loans and advances at fair value through profit and loss	34,206	47,658
Net loans and advances to customers at amortised cost	21,790,538	24,400,781
Net loans and advances to related parties at amortised cost ⁽¹⁾	177,410	161,814
Debtors by acceptances	417,979	226,896
Debt instruments classified at amortised cost ⁽²⁾	19,165,339	14,822,345
Shares and participations at fair value through other comprehensive income	150,398	158,027
Debt instruments and other similar financial assets at fair value through other comprehensive income	713,531	-
Investments in associates	147,732	134,457
Assets taken in settlement of debts	177,652	144,058
Property and equipment	869,373	884,400
Intangible fixed assets	72,528	76,243
Non-current assets held for sale	-	-
Other assets	554,057	500,481
Goodwill	42,712	42,713
TOTAL ASSETS	67,625,790	65,955,897

⁽¹⁾ Loans granted to related parties against cash collateral amounted to LBP 128 billion.

⁽²⁾ Includes an amount of LBP 2,115 billion with risk ceded to customers.

	30/6/2018 LBP Million	31/12/2017 LBP Million
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	632,135	752,363
- Financing commitments given to customers	4,628,124	4,982,539
Bank guarantees		
- Guarantees given to banks and financial institutions	101,473	222,747
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	151,064	1,234,621
Of which: credit derivatives	-	-
- Guarantees given to customers	2,122,110	2,251,391
- Guarantees received from customers	34,808,007	36,776,625
Financial notes commitments		
- Financial notes commitments to be received	-	-
Of which: financial instruments sold with a buy back option	-	-
- Financial notes commitments to be delivered	-	-
Of which: financial instruments purchased with a buy back option	-	-
Foreign currencies forwards		
- Foreign currencies to receive	10,979,451	11,157,347
- Foreign currencies to deliver	11,001,631	11,173,412
Commitments on term financial instruments	20,607,152	9,222,017
Other commitments		
Claims from legal cases		
Fiduciary accounts	3,168,507	2,944,813
- Under specific instructions	3,145,600	2,919,307
- Under discretionary investments	22,907	25,506
Assets under management	14,874,515	13,548,832
Mutual funds	79,716	73,892
Structured financial products		
Engagement unlikely to be executed	-	-
Bad debts written off during the year	109,822	4,968

	30/6/2018 LBP Million	31/12/2017 LBP Million
LIABILITIES		
Due to central banks	8,371,148	3,971,498
Due to banks and financial institutions and repurchase agreement	2,749,994	2,845,095
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	615,372	205,384
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	46,566,650	49,677,857
Deposits from related parties	648,663	750,222
Debt issued and other borrowed funds	-	-
Engagements by acceptances	417,979	226,896
Other liabilities	514,011	588,685
Provisions for risks and charges	438,873	141,731
Subordinated loans and similar debts	1,234,395	1,235,268
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	61,557,085	59,642,636
Shareholders' Equity - Group share		
Share capital - Common shares	664,783	664,783
Share capital - Preferred shares	12,472	12,472
Issue premium - Common shares	883,582	883,582
Issue premium - Preferred shares	1,118,153	1,118,153
Subsidiary shares warrants	12,629	12,629
Share capital and cash contribution to capital	72,586	72,586
Non-distributable reserves	1,912,895	1,719,917
Distributable reserves	432,774	430,592
Treasury shares	(5,845)	(94,532)
Retained earnings	1,427,123	1,249,004
Proposed dividends	-	-
Revaluation reserve of real estate	357,137	357,137
Reserve on revaluation of financial assets at fair value through other comprehensive income	3,205	877
Reserve for cash flow hedges	(2,728)	-
Remeasurement actuarial (gain)/Loss on defined benefit plan	(12,807)	(12,807)
Share of associates' other comprehensive income under equity method	5,463	4,546
Foreign currency translation reserve	(1,506,366)	(1,277,774)
Net (loss) gain on hedge of net investments in foreign entities	-	(11,724)
Result of the period	385,661	811,217
Shareholders' equity - Group share	5,760,717	5,940,658
Non-controlling interest	307,988	372,603
Total shareholders' equity	6,068,705	6,313,261
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	67,625,790	65,955,897



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/6/2018 LBP Million	30/6/2017 LBP Million
Interest and similar income	2,209,075	2,063,142
Interest and similar expense	(1,331,590)	(1,257,538)
Net interest margin	877,485	805,604
Fee and commission income	186,902	237,357
Fee and commission expense	(28,196)	(46,264)
Net fee and commission income	158,706	191,093
Net gain on financial assets or liabilities at fair value through profit and loss	49,052	44,114
Of which: interest income	7,296	28,275
Net gain on financial investments	15,314	18,754
Other operating income	15,174	47,579
Total operating income	1,115,731	1,107,144
Net provisions for credit losses	(89,979)	(107,741)
Net operating income	1,025,752	999,403
Personnel expenses	(284,613)	(328,174)
Other operating expenses	(182,718)	(217,540)
Depreciation of property and equipment	(31,506)	(36,885)
Amortisation of intangible assets	(11,683)	(11,623)
Impairment on goodwill and investments	-	-
Total of operating expenses	(510,520)	(594,222)
Operating profit	515,232	405,181
Share of profit of associates under equity method	1,087	1,627
Net gain (loss) on disposal of other asset	213	833
Profit before tax	516,532	407,641
Income tax	(116,458)	(86,902)
Profit after tax	400,074	320,739
Result of discontinued operations, net of tax	-	143,654
Profit for the period	400,074	464,393
Minority share profit for the period	14,413	15,185
Group share profit for the period	385,661	449,208
Basic earnings per share LBP	897	1,092
Basic earnings per share from continuing operations LBP	897	724

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DOMESTIC PRESENCE

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FOREIGN PRESENCE

- BANQUE AUDI (SUISSE) SA
Beirut Representative Office
- BANK AUDI FRANCE sa
- BANK AUDI sal - JORDAN BRANCHES
- BANK AUDI sae (Egypt)
- AUDI CAPITAL (KSA) cjsc
- BANK AUDI LLC (Qatar)
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