

Press Release

Bank Audi Consolidated Activity Highlights as at End-September 2017

Beirut, October 26, 2017

- **US\$ 44.7 billion of assets**, of which 40% from entities outside Lebanon
- **US\$ 35.7 billion of customers' deposits**
- **US\$ 17.2 billion of loans to customers**
- **US\$ 3.8 billion of shareholders' equity**
- **US\$ 437 million of net profits in the first nine months of 2017**, and US\$ 341 million excluding net profits from the sale of the Card and Electronic Payment process and acquiring activities, of which 46% from entities outside Lebanon.

In Lebanon, the real economy is reporting a slight improvement in the first nine months of 2017, with BDL forecasting growth at 2.5% for the year, but the economy is still operating at way below potential output as filling the output gap requires the implementation of long awaited administrative and fiscal reforms. The Parliamentary budget discussions, along with the statements of the Minister of Finance, point to a determination on behalf of authorities to ensure the 2018 budget law would include long awaited reforms. In parallel, the banking sector remains at the image of a slightly improving economy. Bank deposits grew by US\$ 6.7 billion over the first eight months of 2017, against US\$ 5.5 billion over the same period of last year. Loan growth did not share the improving pace, as loans to the resident private sector grew this year at the same pace as last year (circa US\$ 1.8 billion).

In Turkey, one of the main regional market for Bank Audi, external financing challenges remain significant, although the country has so far succeeded in renewing all its funding maturities. Still, the noticeable development was the announcement of a 5.1% growth rate in the second quarter, almost similar to the first quarter, with economic growth expected to remain robust in the third quarter as per the IMF forecast. This is actually reflected in the relative improvement in the business environment and banks' operating conditions, as witnessed by the recent performances of large Turkish banks.

In Egypt, the other key regional market for the Bank, the fruits of the challenging reform process are becoming evident, with real economic activity picking up, foreign currency reserves improving to their highest level on record, tourist arrivals recovering from low levels, and the capital market performing solidly, along with parallel improvement in banking activity at large. Yet, short-term challenges remain, bearing in mind that Egyptian authorities appear to be determined to overcome them in order to ensure a sustainable real GDP growth.

In the first nine months of 2017, consolidated net profits of Bank Audi sal reached US\$ 437 million and US\$ 341 million when excluding profits from discontinued operations, as compared to US\$ 316 million of recurrent net profits in the first nine months of 2016, i.e. a net growth by 8% year-on-year. The breakdown of those profits over the various entities of the Group shows a diversified growth across main pillars of the Group. The contribution of entities outside Lebanon to consolidated net profits reached 46% over the period, of which 19% from Odea Bank. In fact, Odea Bank's net profits reached US\$ 65 million in the first nine months of 2017 as compared to US\$ 69 million achieved in full year 2016. Private Banking entities reported a 25% growth in net profits, contributing by 13% in total net profits, on a backdrop of a 12% contribution from Bank Audi Egypt. Those results were realised following an allocation of US\$ 125 million of net loan loss provisions, thus reinforcing the Bank's asset quality and resilience against a relatively challenging regional environment. In parallel, consolidated assets increased to US\$ 44.7 billion at end-September 2017, of which 40% from entities outside Lebanon.

In details:

- Consolidated assets of Bank Audi increased by US\$ 416 million, reaching US\$ 44.7 billion as at end-September 2017 against US\$ 44.3 billion as at end-December 2016, registering a slight growth by 0.9%. This increase mainly results from Bank Audi Egypt and Lebanese entities which registered asset growth of 12.7% and 1.4% respectively. In parallel, a slight contraction of Odea Bank's assets by 6.1% was recorded, as Management adopted a policy favouring activity consolidation in Turkey while further reinforcing risk control. When adding letters of credit, letters of guarantees, and assets and derivatives under management to consolidated assets, the Bank's consolidated footings

would reach US\$ 67.6 billion, of which 52% from entities outside Lebanon, sustaining Bank Audi's ranking at the forefront of the Lebanese banking sector and among the top 20 Arab banking groups.

- Consolidated customers' deposits sustained at end-September 2017 almost the same December 2016 level of US\$ 35.7 billion, of which 38% from entities outside Lebanon. In parallel, consolidated net loans stood at US\$ 17.2 billion, of which 62% from entities outside Lebanon, translating into a sustained loans to deposits ratio of 48%, i.e. maintaining its level as at the end of last year.
- Consolidated shareholders' equity increased in the first nine months to reach US\$ 3.8 billion as at end-September 2017, in spite of Management calling the Series "F" preferred shares of US\$ 150 million in order to cancel it, driven primarily by a further reinforcement of internal capital generation. Subsequently, the Bank's capital adequacy ratio as per Basel III improved from 14.8% at end-December 2016 to 15.6% at end-September 2017, while core equity ratio (CET1) increased from 9.1% to 10.1% over the same period. In parallel, the capital adequacy ratio of Odea Bank and Bank Audi Egypt reached 18.4% and 16.2% respectively, with most of this ratio accounted for by CET1, clearly highlighting the availability of sufficient capital at the level of those entities to fund the expected activity growth over the medium term. Within this context, it is worth mentioning that Odea Bank issued, for the first time on international capital markets, a US\$ 300 million 10 year 144A/RegS subordinated Basel III compliant Tier 2 bond. Subsequent to this transaction, the Bank was assigned a Ba3 rating by Moody's and a BB- rating by Fitch, i.e. 3 notches higher than the rating of largest Lebanese banking groups.
- Consolidated gross doubtful loans continued to represent 3.3% of gross loans at end-September 2017, while this ratio reached 2.5% in Bank Audi Lebanon, 1.4% for Bank Audi Egypt and 4.3% for Odea Bank. In the first nine months of 2017, General Management allocated US\$ 125 million of consolidated loan loss provisions, with the coverage ratio of doubtful loans by specific provisions and real guarantees reaching 111% at end-September 2017. Over and above the specific provisions, collective provisions as per BDL's requirements amounted to US\$ 448 million, corresponding to 2.6% of net loans. Within a persisting challenging environment in the region, the Group's current strategy revolves around favouring the improvement of operating conditions and asset quality over growth. As such, a special emphasis is being put on following up on the quality of the loan portfolio and ensuring a sufficient provision coverage as needed.
- Primary liquidity placed with central banks and foreign banks continued to increase to reach US\$ 21.4 billion as at end-September 2017, representing 59.9% of customers' deposits, a high level when compared to regional and global averages.
- Based on such results and excluding profits for the sale of the Card and Electronic Payment processing and acquiring activities, the Bank's return on average assets ratio reached 1%, while the return on average common equity registered 13.7%. In parallel, the common book per share increased to US\$ 7.93, which corresponds to, based on an ordinary share price of US\$ 5.82 as at 18 October 2017, a price to book multiple of 0.73 times, a low level when compared to peer regional banks averages in relation to their profitability.

In conclusion, the results of the first nine months of 2017 once again confirm the Group's ability to maintain favourable growth in net earnings amid tough operating conditions, allowing it to further reinforce its asset quality and allocate required provisions to cover risks arising from the current regional environment. This performance likewise reinforced the Group's leading positioning in the domestic market and among leading Arab banking groups at the service of a wide range of customers. In addition, the Group is currently targeting the realisation of better efficiency in the medium term at both revenue and cost levels in order to further reinforce its financial standing and create value to shareholders.

Among Top Regional Banking Groups

**LEBANON | SWITZERLAND | FRANCE | JORDAN | EGYPT |
KINGDOM OF SAUDI ARABIA | QATAR | MONACO | TURKEY | IRAQ |
REPRESENTATIVE OFFICE IN ABU DHABI**

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2017

Bank Audi

consolidated activity highlights

IN US DOLLARS

AT END-SEPTEMBER 2017

A LEADING POSITIONING IN MAIN COUNTRIES OF PRESENCE

USD 44.7 billion in total
assets as at 30/9/2017

of which 40% from entities
outside Lebanon

Consolidated Activity Highlights as at End-September 2017

- USD 35.7 billion of total customers' deposits
- USD 17.2 billion of total loans to customers
- USD 3.8 billion of total shareholders' equity
- USD 437 million of net profits in the first nine months of 2017, and USD 341 million excluding net profits from the sale of the Card and Electronic Payment processing and acquiring activities, of which 46% from entities outside Lebanon

Main Financial Indicators

- 59.9% of primary liquidity to customers' deposits ratio
- 15.6% of capital adequacy ratio as per Basel III, of which 10.1% of Common Equity Tier 1 ratio
- 3.3% of gross doubtful loans to gross loans ratio, covered up to 111% by specific provisions and real guarantees
- USD 448 million of collective provisions, in addition to the above specific provisions
- 13.7% of return on average common equity, excluding net profits from the sale of the Card and Electronic Payment processing and acquiring activities

AMONG THE TOP REGIONAL BANKING GROUPS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/9/2017 USD Thousands	31/12/2016 USD Thousands
ASSETS		
Cash and balances with central banks	12,817,248	12,371,872
Due from banks and financial institutions	1,777,954	2,008,111
Loans to banks and financial institutions and reverse repurchase agreements	584,028	1,372,348
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	269,754	258,798
Shares and participations at fair value through profit and loss	37,834	48,837
Debt instruments and other similar financial assets at fair value through profit and loss	1,156,141	411,007
Of which: net loans and advances at fair value through profit and loss	31,672	14,526
Net loans and advances to customers at amortised cost ⁽¹⁾	17,028,258	17,069,485
Net loans and advances to related parties at amortised cost ⁽²⁾	125,076	145,402
Debtors by acceptances	140,010	132,110
Debt instruments classified at amortised cost ⁽³⁾	9,487,382	9,280,312
Shares and participations at fair value through other comprehensive income	106,959	128,655
Investments in associates	88,827	8,844
Assets taken in settlement of debts	81,629	53,749
Property and equipment	595,012	584,743
Intangible fixed assets	38,453	42,866
Non-current assets held for sale	-	-
Other assets	318,790	321,921
Goodwill	28,975	27,746
TOTAL ASSETS	44,682,330	44,266,806

⁽¹⁾ After deduction of provisions amounting to USD 762 million from loans and advances to customers as per IAS 39, of which USD 448 million representing provisions on collective assessment.

⁽²⁾ Loans granted to related parties against cash collateral amounted to USD 90 million.

⁽³⁾ Includes an amount of USD 624 million with risk ceded to customers.

	30/9/2017 USD Thousands	31/12/2016 USD Thousands
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	460,615	431,122
- Financing commitments given to customers	3,294,678	3,183,788
Bank guarantees		
- Guarantees given to banks and financial institutions	475,767	181,707
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	579,067	1,355,463
Of which: credit derivatives	-	-
- Guarantees given to customers	1,540,036	1,666,343
- Guarantees received from customers	24,749,409	23,661,749
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	8,087,209	6,800,492
- Foreign currencies to deliver	8,100,510	6,850,489
Commitments on term financial instruments	9,057,361	8,415,560
Other commitments		
Claims from legal cases	-	-
Fiduciary accounts		
- Under specific instructions	2,176,526	2,260,588
- Under discretionary investments	2,156,095	2,193,732
	20,431	66,856
Assets under management	9,128,885	8,397,415
Mutual funds	47,031	173,041
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	2,370	122,050

	30/9/2017 USD Thousands	31/12/2016 USD Thousands
LIABILITIES		
Due to central banks	1,556,180	1,332,115
Due to banks and financial institutions and repurchase agreement	1,969,551	1,707,466
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	141,250	181,063
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	35,227,750	35,415,733
Deposits from related parties	521,054	539,667
Debt issued and other borrowed funds	-	-
Engagements by acceptances	140,010	132,110
Other liabilities	416,398	510,503
Provisions for risks and charges	90,281	103,875
Subordinated loans and similar debts	812,518	645,794
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	40,874,992	40,568,326
Shareholders' Equity - Group share		
Share capital - Common shares	440,984	439,128
Share capital - Preferred shares	5,240	6,866
Issue premium - Common shares	586,124	586,124
Issue premium - Preferred shares	469,760	618,134
Subsidiary shares warrants	8,377	8,377
Share capital and cash contribution to capital	48,150	48,150
Non-distributable reserves	1,050,839	965,931
Distributable reserves	412,066	414,263
Treasury shares	(60,997)	(62,372)
Retained earnings	755,470	580,593
Proposed dividends	-	-
Revaluation reserve of real estate	237,996	237,952
Reserve on revaluation of financial assets at fair value through other comprehensive income	4,514	21,330
Remeasurement actuarial (gain)/Loss on defined benefit plan	(2,821)	(2,821)
Share of associates' other comprehensive income under equity method	3,016	3,016
Foreign currency translation reserve	(778,040)	(800,177)
Net (loss) gain on hedge of net investments in foreign entities	(12,369)	(38,284)
Result of the period	421,729	445,834
Shareholders' equity - Group share	3,590,038	3,472,044
Non-controlling interest	217,300	226,436
Total shareholders' equity	3,807,338	3,698,480
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	44,682,330	44,266,806



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/9/2017 USD Thousands	30/9/2016 USD Thousands
Interest and similar income	2,112,815	1,922,347
Interest and similar expense	(1,305,236)	(1,162,652)
Net interest margin	807,579	759,695
Fee and commission income	220,448	872,004
Fee and commission expense	(41,010)	(52,489)
Net fee and commission income	179,438	819,515
Net gain on financial assets or liabilities at fair value through profit and loss	89,708	29,956
Of which: interest income	34,681	27,277
Net gain on financial investments	22,859	130,348
Other operating income	39,518	23,789
Total operating income	1,139,102	1,763,303
Net provisions for credit losses	(125,022)	(227,743)
Net operating income	1,014,080	1,535,560
Personnel expenses	(317,352)	(370,214)
Other operating expenses	(220,442)	(259,852)
Depreciation of property and equipment	(37,002)	(39,040)
Amortisation of intangible assets	(11,389)	(17,171)
Impairment on goodwill and investments	-	(128,464)
Total of operating expenses	(586,185)	(814,741)
Operating profit	427,895	720,819
Share of profit of associates under equity method	1,677	699
Net gain (loss) on disposal of other asset	594	(15,389)
Profit before tax	430,166	706,129
Income tax	(88,778)	(164,611)
Profit after tax	341,388	541,518
Result of discontinued operations, net of tax	95,293	(191,175)
Profit for the period	436,681	350,343
Minority share profit for the period	14,952	3,435
Group share profit for the period	421,729	346,908
Basic earnings per share USD	1.02	0.83
Basic earnings per share from continuing operations USD	1.02	0.83

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2017

Bank Audi

consolidated activity highlights

IN LEBANESE POUNDS

AT END-SEPTEMBER 2017

A LEADING POSITIONING IN MAIN COUNTRIES OF PRESENCE

**LBP 67,359 billion in total
assets as at 30/9/2017**

of which 40% from entities
outside Lebanon

Consolidated Activity Highlights as at End-September 2017

- **LBP 53,891 billion of total customers' deposits**
- **LBP 25,859 billion of total loans to customers**
- **LBP 5,740 billion of total shareholders' equity**
- **LBP 658 billion of net profits in the first nine months of 2017**, and **LBP 515 billion** excluding net profits from the sale of the Card and Electronic Payment processing and acquiring activities, of which **46%** from entities outside Lebanon

Main Financial Indicators

- **59.9% of primary liquidity to customers' deposits ratio**
- **15.6% of capital adequacy ratio as per Basel III**, of which **10.1%** of Common Equity Tier 1 ratio
- **3.3% of gross doubtful loans to gross loans ratio**, covered up to **111%** by specific provisions and real guarantees
- **LBP 676 billion of collective provisions**, in addition to the above specific provisions
- **13.7% of return on average common equity**, excluding net profits from the sale of the Card and Electronic Payment processing and acquiring activities

AMONG THE TOP REGIONAL BANKING GROUPS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/9/2017 LBP Million	31/12/2016 LBP Million
ASSETS		
Cash and balances with central banks	19,322,001	18,650,596
Due from banks and financial institutions	2,680,266	3,027,228
Loans to banks and financial institutions and reverse repurchase agreements	880,422	2,068,815
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	406,654	390,138
Shares and participations at fair value through profit and loss	57,035	73,621
Debt instruments and other similar financial assets at fair value through profit and loss	1,742,883	619,593
Of which: net loans and advances at fair value through profit and loss	47,745	21,898
Net loans and advances to customers at amortised cost ⁽¹⁾	25,670,099	25,732,247
Net loans and advances to related parties at amortised cost ⁽²⁾	188,551	219,193
Debtors by acceptances	211,065	199,156
Debt instruments classified at amortised cost ⁽³⁾	14,302,229	13,990,070
Shares and participations at fair value through other comprehensive income	161,240	193,948
Investments in associates	133,907	13,333
Assets taken in settlement of debts	123,055	81,027
Property and equipment	896,980	881,501
Intangible fixed assets	57,967	64,621
Non-current assets held for sale	-	-
Other assets	480,578	485,295
Goodwill	43,680	41,827
TOTAL ASSETS	67,358,612	66,732,209

⁽¹⁾ After deduction of provisions amounting to LBP 1,149 billion from loans and advances to customers as per IAS 39, of which LBP 676 billion representing provisions on collective assessment.

⁽²⁾ Loans granted to related parties against cash collateral amounted to LBP 135 billion.

⁽³⁾ Includes an amount of LBP 941 billion with risk ceded to customers.

	30/9/2017 LBP Million	31/12/2016 LBP Million
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	694,377	649,916
- Financing commitments given to customers	4,966,726	4,799,560
Bank guarantees		
- Guarantees given to banks and financial institutions	717,219	273,923
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	872,944	2,043,361
Of which: credit derivatives	-	-
- Guarantees given to customers	2,321,605	2,512,013
- Guarantees received from customers	37,309,734	35,670,089
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	12,191,468	10,251,741
- Foreign currencies to deliver	12,211,518	10,327,110
Commitments on term financial instruments	13,653,971	12,686,455
Other commitments		
Claims from legal cases	-	-
Fiduciary accounts		
- Under specific instructions	3,281,112	3,407,836
- Under discretionary investments	3,250,313	3,307,051
	30,799	100,785
Assets under management	13,761,794	12,659,104
Mutual funds	70,899	260,859
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	3,573	183,991

	30/9/2017 LBP Million	31/12/2016 LBP Million
LIABILITIES		
Due to central banks	2,345,942	2,008,163
Due to banks and financial institutions and repurchase agreement	2,969,099	2,574,005
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	212,934	272,952
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	53,105,832	53,389,218
Deposits from related parties	785,488	813,548
Debt issued and other borrowed funds	-	-
Engagements by acceptances	211,065	199,156
Other liabilities	627,720	769,582
Provisions for risks and charges	136,099	156,592
Subordinated loans and similar debts	1,224,871	973,535
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	61,619,050	61,156,751
Shareholders' Equity - Group share		
Share capital - Common shares	664,783	661,985
Share capital - Preferred shares	7,899	10,350
Issue premium - Common shares	883,582	883,582
Issue premium - Preferred shares	708,163	931,837
Subsidiary shares warrants	12,629	12,629
Share capital and cash contribution to capital	72,586	72,586
Non-distributable reserves	1,584,140	1,456,141
Distributable reserves	621,190	624,501
Treasury shares	(91,952)	(94,026)
Retained earnings	1,138,871	875,244
Proposed dividends	-	-
Revaluation reserve of real estate	358,779	358,713
Reserve on revaluation of financial assets at fair value through other comprehensive income	6,805	32,154
Remeasurement actuarial (gain)/Loss on defined benefit plan	(4,254)	(4,254)
Share of associates' other comprehensive income under equity method	4,546	4,546
Foreign currency translation reserve	(1,172,894)	(1,206,264)
Net (loss) gain on hedge of net investments in foreign entities	(18,647)	(57,713)
Result of the period	635,756	672,095
Shareholders' equity - Group share	5,411,982	5,234,106
Non-controlling interest	327,580	341,352
Total shareholders' equity	5,739,562	5,575,458
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	67,358,612	66,732,209



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/9/2017 LBP Million	30/9/2016 LBP Million
Interest and similar income	3,185,068	2,897,938
Interest and similar expense	(1,967,643)	(1,752,697)
Net interest margin	1,217,425	1,145,241
Fee and commission income	332,325	1,314,545
Fee and commission expense	(61,823)	(79,127)
Net fee and commission income	270,502	1,235,418
Net gain on financial assets or liabilities at fair value through profit and loss	135,235	45,159
Of which: interest income	52,282	41,120
Net gain on financial investments	34,460	196,500
Other operating income	59,573	35,862
Total operating income	1,717,195	2,658,180
Net provisions for credit losses	(188,471)	(343,323)
Net operating income	1,528,724	2,314,857
Personnel expenses	(478,409)	(558,099)
Other operating expenses	(332,316)	(391,723)
Depreciation of property and equipment	(55,780)	(58,852)
Amortisation of intangible assets	(17,168)	(25,886)
Impairment on goodwill and investments	-	(193,660)
Total of operating expenses	(883,673)	(1,228,220)
Operating profit	645,051	1,086,637
Share of profit of associates under equity method	2,528	1,053
Net gain (loss) on disposal of other asset	895	(23,200)
Profit before tax	648,474	1,064,490
Income tax	(133,831)	(248,151)
Profit after tax	514,643	816,339
Result of discontinued operations, net of tax	143,654	(288,197)
Profit for the period	658,297	528,142
Minority share profit for the period	22,541	5,178
Group share profit for the period	635,756	522,964
Basic earnings per share LBP	1,541	1,244
Basic earnings per share from continuing operations LBP	1,541	1,244

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