

Press Release

Bank Audi Consolidated Activity Highlights as at End-December 2017

Beirut, January 30, 2018

- **US\$ 43.8 billion of assets,**
- **US\$ 33.5 billion of customers' deposits**
- **US\$ 16.3 billion of loans to customers**
- **US\$ 4.2 billion of shareholders' equity**
- **US\$ 559 million of net profits in 2017,** and US\$ 464 million excluding net profits from discontinued operations, of which 45% from entities outside Lebanon

Lebanon's economic activity improved modestly in 2017, as suggested by the evolution of real sector indicators. In parallel, the contraction in banking aggregates in November post PM Hariri's resignation weighed on the figures in the first 11 months of the year, yet without their growth slipping into cumulative negative levels. Customers' deposits increased by US\$ 4.3 billion over this period as compared to US\$ 7.6 billion in the corresponding period of 2016, which was marked by the large-scale financial engineering operations of the Central Bank of Lebanon. At the lending side, the year 2017 was almost equivalent to the previous year in terms of loan growth. The latter reported an increase by US\$ 2.4 billion over the first 11 months, against US\$ 2.7 billion over the corresponding period of 2016 and US\$ 3.0 billion over the same period on average during the past five years. Despite the adverse political developments in the last couple of months, the year 2017 was characterised by a relative improvement in political governance, as witnessed by the finalization of the granting process of the first operational licenses for oil exploration and the adoption of the 2017 budget with a determination to pass as rapidly as possible the 2018 budget law.

In spite of strengthening global recovery, economic conditions of the MENA region, where Bank Audi has a wide presence, remain relatively subdued owing to the adjustment to low oil prices and regional conflicts. In Egypt, growth has picked up to reach circa 4.3% in full-year 2017 as a result of the growth in several sectors, including communication, tourism and manufacturing and supported by the gradual implementation of promising reforms and improved competitiveness, while banking activity continued to be resilient with bank assets growing by 18% over the first nine months. In parallel, Turkey's economy rebounded in 2017, with growth set to reach 5.1%, which positively impacted the banking activity, as witnessed by the growth in assets and net profits by 19.7% and 20.4% respectively.

Within this context, Bank Audi achieved a good performance in 2017, with consolidated unaudited net profits of US\$ 559 million, reaching US\$ 464 million when excluding profits from discontinued operations, representing a net growth of 13% relative to the recurrent net profits of 2016. The contribution of entities outside Lebanon to consolidated net profits reached 45% over the period, of which 19% from Odea Bank. In fact, Odea Bank's net profits after tax reported a net growth by 29%, reaching US\$ 88 million in 2017, and this after the allocation of US\$ 95 million of specific provisions. The contribution of Bank Audi in Egypt to consolidated net profits reached US\$ 55 million, i.e. 12%. Those results were realised following an allocation of US\$ 147 million of consolidated net loan loss provisions, thus reinforcing the Bank's asset quality and resilience. Meanwhile, General Management continues to adopt a consolidation mode favouring operating conditions over growth, sustaining the Bank's financial flexibility and efficiency.

In details:

- Consolidated assets reached US\$ 43.8 billion at end-December 2017 and US\$ 54.7 billion when accounting for fiduciary deposits, security accounts and assets under management, sustaining Bank Audi's ranking at the forefront of the Lebanese banking sector and among the top 20 Arab banking groups. Consolidated assets decreased by US\$ 515 million relative to end-December 2016, driven by a contraction of Odea Bank's assets by US\$ 2 billion, within the context of the adoption by Odea Bank's Management of a policy favouring activity consolidation while further reinforcing risk control, and aiming at forgoing unstable costly deposits while not renewing some maturing loans with limited contribution to the franchise building.
- In parallel, consolidated customers' deposits decreased by US\$ 2.5 billion in 2017, to stand at US\$ 33.5 billion as at end-December 2017, of which 37% from entities outside Lebanon. Likewise, consolidated net loans contracted by US\$ 921 million, reaching US\$ 16.3 billion, of which 58% from entities outside Lebanon. The decrease in consolidated net loans was principally driven by Odea Bank within an increase in loans at Bank Audi Lebanon and Bank Audi (Egypt) by US\$ 687 million and US\$ 26 million respectively. The evolution of those aggregates resulted in a slight improvement in the loans to deposits ratio relative to the level as at end-December 2016, to reach 49% at end-December 2017.
- Consolidated shareholders' equity grew by 13.2%, from US\$ 3.7 billion as at end-December 2016 to US\$ 4.2 billion as at end-December 2017, representing 18% of the consolidated equity of the Lebanese banking sector. This translated in an additional improvement of the Bank's capital adequacy ratio as per Basel III to 16.9% as compared to 14.8% at end-December 2016, while core equity ratio (CET1) increased from 9.1% to 10.5% over the same period.
- Despite the delicate operating conditions across a number of countries of presence of the Group, consolidated gross doubtful loans continued to represent 3.5% only of gross loans at end-December 2017, while this ratio reached 3% in Bank Audi Lebanon, 1.5% for Bank Audi Egypt and 4.7% for Odea Bank. In parallel, the coverage ratio of doubtful loans by specific provisions and real guarantees reached 107% at the same date, of which 60% by specific provisions. Management is putting a special emphasis on following up on the quality of the loan portfolio and ensuring an adequate provision coverage.
- Within this context, Bank Audi allocated US\$ 440 million of collective provisions to cover credit risks tied to all kinds of on-balance sheet assets as well as off-balance sheet financial commitments, a level which exceeds the requirements of the Central Bank of Lebanon in connection with the application of IFRS 9.
- Primary liquidity placed with central banks and foreign banks continued to increase to reach US\$ 21.2 billion as at end-December 2017, representing 63.3% of customers' deposits, a high level when compared to regional and global averages.
- In parallel, an enhancement of the Bank's consolidated total revenues was recorded, owing to a good performance in Lebanon mainly driven by the Bank's improved interest margin, in addition to a growth in revenues in entities abroad. As such, total revenues increased by 5% in 2017 relative to the recurrent results of 2016, translating in a strengthening of the overall efficiency, with the cost to income ratio decreasing from 54.4% in 2016 to 51% in 2017. General Management has taken a number of initiatives aiming at reinforcing the overall financial efficiency of the Group, which are expected to result in a further improvement in the cost to income ratio over the short term.
- Based on such results and excluding profits for discontinued operations, the Bank's return on average assets ratio reached 1.1%, while the return on average common equity registered 13.4% in 2017 rising to 16.4% when including profits from discontinued operations. In parallel, the common book per share increased to US\$ 8.09, while the earnings per common share reached US\$ 1.03. Based on an ordinary

share price of US\$ 6.0 as at 29 January 2018, this corresponds to a price to book multiple of 0.74 times, and a price to earnings multiple of 5.8 times, both levels being very low when compared to peer regional banks' averages in relation to the Group's profitability and to the average growth rate of its earnings per share over the past 5 years, bearing witness to the attractiveness of the share price .

The Bank's performances in the year 2017 sincerely reflect the strategic choices and orientations adopted by Management, focusing on strengthening the Group's financial standing and reinforcing its financial flexibility, while sustaining its profitability in spite of tough operating conditions. Bank Audi aims at becoming a privileged partner to customers in main countries of presence, through ensuring a wide and diversified array of banking products and services that takes into account technological innovation and the global development of the profession.

Among Top Regional Banking Groups

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

For more information:

Dr. Freddie C. Baz

General Manager – Group Strategy Director

Tel: +961 1 977 477

Email: Freddie.baz@bankaudi.com.lb

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2017

Bank Audi

consolidated activity highlights

IN US DOLLARS

AT END-DECEMBER 2017

AMONG THE TOP REGIONAL BANKING GROUPS

USD 43.8 billion in total
assets as at 31/12/2017

Consolidated Activity Highlights as at End-December 2017

- USD 33.5 billion of total customers' deposits
- USD 16.3 billion of total loans to customers
- USD 4.2 billion of total shareholders' equity
- USD 559 million of net profits in 2017, and USD 464 million excluding net profits from discontinued operations, of which 45% from entities outside Lebanon

Main Financial Indicators

- 63.3% of primary liquidity to customers' deposits ratio
- 16.9% of capital adequacy ratio as per Basel III, of which 10.5% of Common Equity Tier 1 ratio
- 3.5% of gross doubtful loans to gross loans ratio, covered up to 107% by specific provisions and real guarantees
- USD 440 million of collective provisions, exceeding the requirements of IFRS 9, in addition to the above specific provisions
- 13.4% of return on average common equity excluding net profits from discontinued operations, rising to 16.4% when including those profits

A UNIVERSAL AND INNOVATIVE BANKING OFFERING CATERING TO 1.2 MILLION CUSTOMERS
SERVED THROUGH 204 BRANCHES AND 6500 EMPLOYEES IN 11 COUNTRIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	31/12/2017 USD Thousands	31/12/2016 USD Thousands
ASSETS		
Cash and balances with central banks	13,165,412	12,371,872
Due from banks and financial institutions	965,010	2,008,111
Loans to banks and financial institutions and reverse repurchase agreements	801,682	1,372,348
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	264,069	258,798
Shares and participations at fair value through profit and loss	40,484	48,837
Debt instruments and other similar financial assets at fair value through profit and loss	951,522	411,007
Of which: net loans and advances at fair value through profit and loss	31,614	14,526
Net loans and advances to customers at amortised cost ⁽¹⁾	16,186,257	17,069,485
Net loans and advances to related parties at amortised cost ⁽²⁾	107,339	145,402
Debtors by acceptances	150,512	132,110
Debt instruments classified at amortised cost ⁽³⁾	9,832,401	9,280,312
Shares and participations at fair value through other comprehensive income	104,827	128,655
Investments in associates	89,192	8,844
Assets taken in settlement of debts	95,561	53,749
Property and equipment	586,666	584,743
Intangible fixed assets	50,576	42,866
Non-current assets held for sale	-	-
Other assets	331,995	321,921
Goodwill	28,334	27,746
TOTAL ASSETS	43,751,839	44,266,806

⁽¹⁾ After deduction of provisions amounting to USD 749 million from loans and advances to customers as per IAS 39, of which USD 440 million representing provisions on collective assessment.

⁽²⁾ Loans granted to related parties against cash collateral amounted to USD 76 million.

⁽³⁾ Includes an amount of USD 501 million with risk ceded to customers.

	31/12/2017 USD Thousands	31/12/2016 USD Thousands
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	499,080	431,122
- Financing commitments given to customers	3,442,200	3,183,788
Bank guarantees	-	-
- Guarantees given to banks and financial institutions	147,759	181,707
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	818,986	1,355,463
Of which: credit derivatives	-	-
- Guarantees given to customers	1,497,655	1,666,343
- Guarantees received from customers	24,310,269	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	7,401,225	6,800,492
- Foreign currencies to deliver	7,411,882	6,850,489
Commitments on term financial instruments	6,117,424	8,415,560
Other commitments	-	-
Claims from legal cases	-	-
Fiduciary accounts	1,953,441	2,260,588
- Under specific instructions	1,936,522	2,193,732
- Under discretionary investments	16,919	66,856
Assets under management	8,902,114	8,397,415
Mutual funds	49,016	173,041
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	3,296	122,050

	31/12/2017 USD Thousands	31/12/2016 USD Thousands
LIABILITIES		
Due to central banks	2,221,755	1,332,115
Due to banks and financial institutions and repurchase agreement	2,300,031	1,707,466
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	136,242	181,063
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	32,953,802	35,415,733
Deposits from related parties	497,660	539,667
Debt issued and other borrowed funds	-	-
Engagements by acceptances	150,512	132,110
Other liabilities	390,505	510,503
Provisions for risks and charges	94,017	103,875
Subordinated loans and similar debts	819,415	645,794
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	39,563,939	40,568,326
Shareholders' Equity - Group share		
Share capital - Common shares	440,984	439,128
Share capital - Preferred shares	8,274	6,866
Issue premium - Common shares	586,124	586,124
Issue premium - Preferred shares	741,726	618,134
Subsidiary shares warrants	8,377	8,377
Share capital and cash contribution to capital	48,150	48,150
Non-distributable reserves	1,024,712	965,931
Distributable reserves	285,633	414,263
Treasury shares	(62,708)	(62,372)
Retained earnings	944,720	580,593
Proposed dividends	-	-
Revaluation reserve of real estate	236,907	237,952
Reserve on revaluation of financial assets at fair value through other comprehensive income	582	21,330
Remeasurement actuarial (gain)/Loss on defined benefit plan	(8,495)	(2,821)
Share of associates' other comprehensive income under equity method	3,016	3,016
Foreign currency translation reserve	(847,612)	(800,177)
Net (loss) gain on hedge of net investments in foreign entities	(7,777)	(38,284)
Result of the period	538,121	445,834
Shareholders' equity - Group share	3,940,734	3,472,044
Non-controlling interest	247,166	226,436
Total shareholders' equity	4,187,900	3,698,480
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	43,751,839	44,266,806



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	2017 USD Thousands	2016 USD Thousands
Interest and similar income	2,824,191	2,565,464
Interest and similar expense	(1,761,482)	(1,546,682)
Net interest margin	1,062,709	1,018,782
Fee and commission income	292,935	956,491
Fee and commission expense	(50,277)	(70,819)
Net fee and commission income	242,658	885,672
Net gain on financial assets or liabilities at fair value through profit and loss	65,792	263,304
Of which: interest income	53,659	35,625
Net gain on financial investments	27,570	149,686
Other operating income	108,735	30,900
Total operating income	1,507,464	2,348,344
Net provisions for credit losses	(146,823)	(441,382)
Net operating income	1,360,641	1,906,962
Personnel expenses	(416,287)	(486,840)
Other operating expenses	(289,262)	(325,403)
Depreciation of property and equipment	(49,351)	(51,610)
Amortisation of intangible assets	(15,236)	(20,506)
Impairment on goodwill and investments	-	(128,464)
Total of operating expenses	(770,136)	(1,012,823)
Operating profit	590,505	894,139
Share of profit of associates under equity method	2,021	723
Net gain (loss) on disposal of other asset	487	(15,382)
Profit before tax	593,013	879,480
Income tax	(129,179)	(233,247)
Profit after tax	463,834	646,233
Result of discontinued operations, net of tax	95,121	(176,127)
Profit for the period	558,955	470,106
Minority share profit for the period	20,834	24,272
Group share profit for the period	538,121	445,834
Basic earnings per share USD	1.27	1.04

HEADQUARTERS

BANK AUDI sal
Bank Audi Plaza, Bab Idriss
P.O.Box: 11-2560 Beirut - LEBANON
Phone: +961 1 994000 Fax: +961 1 990555
contactus@bankaudi.com.lb - bankaudigroup.com

Country Management Lebanon

Bank Audi Palladium, Bab Idriss
P.O. Box: 11-2560 Beirut - LEBANON
Phone: +961 1 994000 Fax: +961 1 990555
contactus@bankaudi.com.lb - bankaudi.com.lb

M1 Building, Bab Idriss
P.O. Box: 11-2560 Beirut - LEBANON
Phone: +961 1 994000 Fax: +961 1 990555
contactus@bankaudi.com.lb - bankaudi.com.lb

DOMESTIC PRESENCE

- AUDI INVESTMENT BANK sal Phone: +961 1 994000 Fax: +961 1 999406 - contactus@bankaudiib.com - bankaudigroup.com
- AUDI PRIVATE BANK sal Phone: +961 1 954800/954900 Fax: +961 1 954880 - contactus.lebanon@bankaudiipb.com - bankaudiipb.com
- SOLIFAC sal Phone: +961 1 209200 Fax: +961 1 209205

FOREIGN PRESENCE

- BANQUE AUDI (SUISSE) SA Phone: +41 22 704 11 11 Fax: +41 22 704 11 00 - contactus.gva@bankaudiipb.com - bankaudiipb.com
- Beirut Representative Office Phone: +961 1 977 544 Fax: +961 1 980 535
- BANK AUDI FRANCE sa Phone: +33 1 53 83 50 00 Fax: +33 1 42 56 09 74 - contactus@bankaudi.fr - bankaudi.fr
- BANK AUDI sal - JORDAN BRANCHES Phone: +962 6 4604000 Fax: +962 6 4680015 - contactus@bankaudi.com.jo - bankaudi.com.jo
- BANK AUDI sae (Egypt) Phone: +20 2 35343300 Fax: +20 2 35362120 - contactus@bankaudi.com.eg - bankaudi.com.eg
- AUDI CAPITAL (KSA) cjsc Phone: +966 11 2199300 Fax: +966 11 4627942 - contactus@audicapital.com - audicapital.com
- BANK AUDI LLC (Qatar) Phone: +974 44967365 Fax: +974 44967373 - contactus.qatar@bankaudiipb.com - bankaudiipb.com
- AUDI CAPITAL GESTION SAM Phone: +377 97 97 65 11 Fax: +377 97 97 65 19 - contactus.mc@bankaudiipb.com - bankaudiipb.com
- ODEA BANK A.Ş. Phone: +90 212 3048444 Fax: +90 212 3048445 - info@odeabank.com.tr - odeabank.com.tr
- BANK AUDI sal - IRAQ BRANCHES Phone: +964 772 9768900 - contactus.iraq@bankaudi.com.lb - bankaudiiraq.com
- BANK AUDI sal - ABU DHABI REP. OFFICE Phone: +971 2 6331180 Fax: +971 2 6336044 - contactus.abu-dhabi@bankaudiipb.com - bankaudiipb.com

2017

Bank Audi

consolidated activity highlights

IN LEBANESE POUNDS

AT END-DECEMBER 2017

AMONG THE TOP REGIONAL BANKING GROUPS

LBP 65,956 billion in total
assets as at 31/12/2017

Consolidated Activity Highlights as at End-December 2017

- LBP 50,428 billion of total customers' deposits
- LBP 24,563 billion of total loans to customers
- LBP 6,313 billion of total shareholders' equity
- LBP 843 billion of net profits in 2017, and LBP 699 billion excluding net profits from discontinued operations, of which 45% from entities outside Lebanon

Main Financial Indicators

- 63.3% of primary liquidity to customers' deposits ratio
- 16.9% of capital adequacy ratio as per Basel III, of which 10.5% of Common Equity Tier 1 ratio
- 3.5% of gross doubtful loans to gross loans ratio, covered up to 107% by specific provisions and real guarantees
- LBP 663 billion of collective provisions, exceeding the requirements of IFRS 9, in addition to the above specific provisions
- 13.4% of return on average common equity excluding net profits from discontinued operations, rising to 16.4% when including those profits

A UNIVERSAL AND INNOVATIVE BANKING OFFERING CATERING TO 1.2 MILLION CUSTOMERS
SERVED THROUGH 204 BRANCHES AND 6500 EMPLOYEES IN 11 COUNTRIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	31/12/2017 LBP Million	31/12/2016 LBP Million
ASSETS		
Cash and balances with central banks	19,846,859	18,650,596
Due from banks and financial institutions	1,454,753	3,027,228
Loans to banks and financial institutions and reverse repurchase agreements	1,208,536	2,068,815
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	398,084	390,138
Shares and participations at fair value through profit and loss	61,030	73,621
Debt instruments and other similar financial assets at fair value through profit and loss	1,434,420	619,593
Of which: net loans and advances at fair value through profit and loss	47,658	21,898
Net loans and advances to customers at amortised cost ⁽¹⁾	24,400,781	25,732,247
Net loans and advances to related parties at amortised cost ⁽²⁾	161,814	219,193
Debtors by acceptances	226,896	199,156
Debt instruments classified at amortised cost ⁽³⁾	14,822,345	13,990,070
Shares and participations at fair value through other comprehensive income	158,027	193,948
Investments in associates	134,457	13,333
Assets taken in settlement of debts	144,058	81,027
Property and equipment	884,400	881,501
Intangible fixed assets	76,243	64,621
Non-current assets held for sale	-	-
Other assets	500,481	485,295
Goodwill	42,713	41,827
TOTAL ASSETS	65,955,897	66,732,209

⁽¹⁾ After deduction of provisions amounting to LBP 1,130 billion from loans and advances to customers as per IAS 39, of which LBP 663 billion representing provisions on collective assessment.

⁽²⁾ Loans granted to related parties against cash collateral amounted to LBP 114 billion.

⁽³⁾ Includes an amount of LBP 755 billion with risk ceded to customers.

	31/12/2017 LBP Million	31/12/2016 LBP Million
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	752,363	649,916
- Financing commitments given to customers	5,189,116	4,799,560
Bank guarantees		
- Guarantees given to banks and financial institutions	222,747	273,923
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	1,234,621	2,043,361
Of which: credit derivatives	-	-
- Guarantees given to customers	2,257,714	2,512,013
- Guarantees received from customers	36,647,730	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	11,157,347	10,251,741
- Foreign currencies to deliver	11,173,412	10,327,110
Commitments on term financial instruments	9,222,017	12,686,455
Other commitments		
Claims from legal cases		
Fiduciary accounts	2,944,813	3,407,836
- Under specific instructions	2,919,307	3,307,051
- Under discretionary investments	25,506	100,785
Assets under management	13,419,937	12,659,104
Mutual funds	73,892	260,859
Structured financial products		
Engagement unlikely to be executed		
Bad debts written off during the year	4,968	183,991

	31/12/2017 LBP Million	31/12/2016 LBP Million
LIABILITIES		
Due to central banks	3,349,296	2,008,163
Due to banks and financial institutions and repurchase agreement	3,467,297	2,574,005
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	205,384	272,952
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	49,677,857	53,389,218
Deposits from related parties	750,222	813,548
Debt issued and other borrowed funds	-	-
Engagements by acceptances	226,896	199,156
Other liabilities	588,685	769,582
Provisions for risks and charges	141,731	156,592
Subordinated loans and similar debts	1,235,268	973,535
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	59,642,636	61,156,751
Shareholders' Equity - Group share		
Share capital - Common shares	664,783	661,985
Share capital - Preferred shares	12,473	10,350
Issue premium - Common shares	883,582	883,582
Issue premium - Preferred shares	1,118,153	931,837
Subsidiary shares warrants	12,629	12,629
Share capital and cash contribution to capital	72,586	72,586
Non-distributable reserves	1,544,754	1,456,141
Distributable reserves	430,592	624,501
Treasury shares	(94,532)	(94,026)
Retained earnings	1,424,165	875,244
Proposed dividends	-	-
Revaluation reserve of real estate	357,137	358,713
Reserve on revaluation of financial assets at fair value through other comprehensive income	878	32,154
Remeasurement actuarial (gain)/Loss on defined benefit plan	(12,806)	(4,254)
Share of associates' other comprehensive income under equity method	4,546	4,546
Foreign currency translation reserve	(1,277,777)	(1,206,264)
Net (loss) gain on hedge of net investments in foreign entities	(11,723)	(57,713)
Result of the period	811,218	672,095
Shareholders' equity - Group share	5,940,658	5,234,106
Non-controlling interest	372,603	341,352
Total shareholders' equity	6,313,261	5,575,458
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	65,955,897	66,732,209



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	2017 LBP Million	2016 LBP Million
Interest and similar income	4,257,468	3,867,438
Interest and similar expense	(2,655,435)	(2,331,623)
Net interest margin	1,602,033	1,535,815
Fee and commission income	441,600	1,441,911
Fee and commission expense	(75,793)	(106,760)
Net fee and commission income	365,807	1,335,151
Net gain on financial assets or liabilities at fair value through profit and loss	99,182	396,931
Of which: interest income	80,892	53,704
Net gain on financial investments	41,561	225,652
Other operating income	163,918	46,579
Total operating income	2,272,501	3,540,128
Net provisions for credit losses	(221,335)	(665,384)
Net operating income	2,051,166	2,874,744
Personnel expenses	(627,553)	(733,910)
Other operating expenses	(436,062)	(490,546)
Depreciation of property and equipment	(74,397)	(77,802)
Amortisation of intangible assets	(22,968)	(30,913)
Impairment on goodwill and investments	-	(193,660)
Total of operating expenses	(1,160,980)	(1,526,831)
Operating profit	890,186	1,347,913
Share of profit of associates under equity method	3,047	1,090
Net gain (loss) on disposal of other asset	734	(23,188)
Profit before tax	893,967	1,325,815
Income tax	(194,737)	(351,618)
Profit after tax	699,230	974,197
Result of discontinued operations, net of tax	143,394	(265,512)
Profit for the period	842,624	708,685
Minority share profit for the period	31,406	36,590
Group share profit for the period	811,218	672,095
Basic earnings per share LBP	1,919	1,572

HEADQUARTERS

BANK AUDI sal
Bank Audi Plaza, Bab Idriss
P.O.Box: 11-2560 Beirut - LEBANON
Phone: +961 1 994000 Fax: +961 1 990555
contactus@bankaudi.com.lb - bankaudigroup.com

Country Management Lebanon

Bank Audi Palladium, Bab Idriss
P.O. Box: 11-2560 Beirut - LEBANON
Phone: +961 1 994000 Fax: +961 1 990555
contactus@bankaudi.com.lb - bankaudi.com.lb

M1 Building, Bab Idriss
P.O. Box: 11-2560 Beirut - LEBANON
Phone: +961 1 994000 Fax: +961 1 990555
contactus@bankaudi.com.lb - bankaudi.com.lb

DOMESTIC PRESENCE

- AUDI INVESTMENT BANK sal
- AUDI PRIVATE BANK sal
- SOLIFAC sal

Phone: +961 1 994000 Fax: +961 1 999406 - contactus@bankaudiib.com - bankaudigroup.com
Phone: +961 1 954800/954900 Fax: +961 1 954880 - contactus.lebanon@bankaudiipb.com - bankaudiipb.com
Phone: +961 1 209200 Fax: +961 1 209205

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)
- AUDI CAPITAL GESTION SAM
- ODEA BANK A.Ş.
- BANK AUDI sal - IRAQ BRANCHES
- BANK AUDI sal - ABU DHABI REP. OFFICE

Phone: +41 22 704 11 11 Fax: +41 22 704 11 00 - contactus.gva@bankaudiipb.com - bankaudiipb.com
Phone: +961 1 977 544 Fax: +961 1 980 535
Phone: +33 1 53 83 50 00 Fax: +33 1 42 56 09 74 - contactus@bankaudi.fr - bankaudi.fr
Phone: +962 6 4604000 Fax: +962 6 4680015 - contactus@bankaudi.com.jo - bankaudi.com.jo
Phone: +20 2 35343300 Fax: +20 2 35362120 - contactus@bankaudi.com.eg - bankaudi.com.eg
Phone: +966 11 2199300 Fax: +966 11 4627942 - contactus@audicapital.com - audicapital.com
Phone: +974 44967365 Fax: +974 44967373 - contactus.qatar@bankaudiipb.com - bankaudiipb.com
Phone: +377 97 97 65 11 Fax: +377 97 97 65 19 - contactus.mc@bankaudiipb.com - bankaudiipb.com
Phone: +90 212 3048444 Fax: +90 212 3048445 - info@odeabank.com.tr - odeabank.com.tr
Phone: +964 772 9768900 - contactus.iraq@bankaudi.com.lb - bankaudiiraq.com
Phone: +971 2 6331180 Fax: +971 2 6336044 - contactus.abu-dhabi@bankaudiipb.com - bankaudiipb.com