

AUDITED CONSOLIDATED FINANCIAL STATEMENTS As at 31 December 2017

**CAPITAL LBP 689,113,198,400 FULLY PAID,
TOTAL EQUITY 3,255,620,000,000 | C.R.B.14150,
LIST OF BANKS NO. 39, HEAD OFFICE - BEIRUT**



BOARD OF DIRECTORS

Mr. Semaan F. Bassil | Chairman – General Manager
Dr. François S. Bassil | Chairman of Byblos Bank Group
Baron Guy L. Quaden | Director
Mr. Des S. O'Shea | Director
Mr. Ahmad T. Tabbara | Director
Mr. Bassam A. Nassar | Director

Mr. Faisal M. Ali Al Tabsh | Director
Dr. Henry T. Azzam | Director
Mr. Alain C. Tohmé | Director
Mr. Yves R. Jacquot | Director

AUDITING FIRMS

Ernst & Young | BDO, Semaan, Gholam & Co.

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017 (LBP million)

	31-Dec-17	31-Dec-16
ASSETS		
Cash and balances with central banks	11,966,804	8,717,615
Due from banks and financial institutions	3,928,586	2,657,429
Loans to banks and financial institutions and reverse repurchase agreements	754,394	964,066
Derivative financial instruments	2,790	4,420
Shares and participations held at fair value through profit or loss	31,834	40,065
Debt instruments and other financial assets held at fair value through profit or loss	224,191	749,107
Net loans and advances to customers at amortized cost*	8,192,985	7,787,275
Net loans and advances to related parties at amortized cost	22,030	20,714
Debtors by acceptances	354,023	223,883
Shares and participations held at fair value through other comprehensive income	108,552	101,305
Debt instruments held at amortized cost	8,155,350	9,641,023
Property and equipment	273,437	247,095
Intangible assets	267	380
Assets taken in settlement of debt	44,891	43,299
Other assets	102,073	110,438
TOTAL ASSETS	34,162,207	31,308,114

(*) After Deducting:

Reserved Interest on sub-standard, doubtful, and bad loans	53,003	53,964
Specific Provisions for doubtful and bad loans	164,545	158,278
Provisions Based on Collective Assessment	75,006	78,643

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As at 31 December 2017 (LBP million)

	31-Dec-17	31-Dec-16
LIABILITIES AND EQUITY		
LIABILITIES		
Due to central banks	1,374,837	267,494
Due to banks and financial institutions	972,315	774,095
Derivative financial instruments	3,544	2,106
Customers' deposits at amortized cost	26,757,716	25,415,634
Deposits from related parties at amortized cost	380,790	366,027
Engagements by acceptances	354,023	223,883
Debt issued and other borrowed funds	453,556	444,072
Other liabilities	258,870	374,911
Provisions for risks and charges	350,936	300,292
Subordinated notes	422,995	420,165
TOTAL LIABILITIES	31,329,582	28,588,679
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital – Common shares	684,273	684,273
Share capital – Preferred shares	4,840	4,840
Issue premium – Common shares	229,014	229,014
Issue premium – Preferred shares	591,083	591,083
Reserves not available for distribution (legal and statutory)	924,812	843,320
Reserves available for distribution	110,616	103,246
Treasury shares	(6,002)	(5,161)
Retained earnings	52,282	67,518
Revaluation reserve of real estate	5,689	5,689
Reserve on revaluation of financial assets at fair value through OCI	(4,538)	(9,081)
Net results of the financial year - profit	248,539	232,672
Foreign currency translation reserve	(49,847)	(65,341)
	2,790,761	2,682,072
NON-CONTROLLING INTEREST	41,864	37,363
TOTAL EQUITY	2,832,625	2,719,435
TOTAL LIABILITIES AND EQUITY	34,162,207	31,308,114

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As at 31 December 2017 (LBP million)

	Banks	Customers	Total
31-Dec-17			
Guarantees and financial liabilities			
Financial guarantees	-	208,735	208,735
Other guarantees	152,940	779,968	932,908
	152,940	988,703	1,141,643
Commitments			
Documentary credits	352,327	425,887	778,214
Loan commitments	-	2,141,250	2,141,250
	352,327	2,567,137	2,919,464
31-Dec-16			
Guarantees and financial liabilities			
Financial guarantees	-	217,934	217,934
Other guarantees	176,854	819,799	996,653
	176,854	1,037,733	1,214,587
Commitments			
Documentary credits	159,909	185,773	345,682
Loan commitments	-	2,979,622	2,979,622
	159,909	3,165,395	3,325,304

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AUDITED CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2017 (LBP million)

	31-Dec-17	31-Dec-16
Interest and similar income	1,702,286	1,545,922
Interest and similar expense	(1,275,994)	(1,176,124)
NET INTEREST INCOME	426,292	369,798
Fees and Commissions income	147,162	134,122
Fees and Commissions expense	(12,138)	(12,515)
NET FEES AND COMMISSIONS INCOME	135,024	121,607
Net gain from financial instruments at fair value through profit or loss	48,456	79,970
of which: interest revenues/charges	32,628	55,160
Net gain or loss on financial assets at amortized cost	36,233	417,699
Revenue from financial assets at fair value through other comprehensive income	4,445	4,413
Other operating income	31,573	27,803
TOTAL OPERATING INCOME	682,022	1,021,290
Net credit (losses) gains	(18,870)	8,925
Impairment losses on financial investments	-	(49,676)
NET OPERATING INCOME	663,152	980,539
Personnel expenses	(205,603)	(195,787)
Depreciation and amortization	(21,133)	(22,425)
Amortisation of intangibles assets	(113)	(113)
Other operating expenses	(129,287)	(159,474)
Impairment of goodwill	-	(12,427)
TOTAL OPERATING EXPENSES	(356,136)	(390,226)
OPERATING PROFIT	307,016	590,313
Provisions for risks and charges	-	(102,480)
Foreign currency translation losses on deconsolidation of subsidiaries	-	(137,890)
Net gain on disposal of property and equipment	1,853	11
PROFIT BEFORE TAX	308,869	349,954
Income tax expense	(52,415)	(100,719)
PROFIT FOR THE YEAR	256,454	249,235
Attributable to:		
Equity holders of the parent	248,539	232,672
Minority interests	7,915	16,563
	256,454	249,235
Earnings per share		
Equity holders of the parent for the year:	LL	LL
Basic earnings per share	355.14	327.22
Diluted earnings per share	333.57	310.18

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AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017 (LBP million)	31-Dec-17	31-Dec-16
PROFIT FOR THE YEAR	256,454	249,235
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be reclassified to the income statement in subsequent periods:		
Exchange difference on translation of foreign operations	15,661	(68,161)
Net other comprehensive gain (loss) to be reclassified to the income statement in subsequent periods	15,661	(68,161)
Items not to be reclassified to the income statement in subsequent periods:		
Net unrealized gain (loss) from financial assets at fair value through other comprehensive income	6,026	(1,306)
Income tax effect	(1,445)	194
Re-measurement gains (losses) on defined benefit plans	4,581	(1,112)
Net other comprehensive income (loss) not to be reclassified to the income statement in subsequent periods	2,164	(99)
OTHER COMPREHENSIVE GAIN (LOSS) FOR THE YEAR NET OF TAX	6,745	(1,211)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	22,406	(69,372)
Attributable to:		
Equity holders of the parent	278,860	179,863
Non-controlling interests	270,779	190,591
	8,081	(10,728)
	278,860	179,863

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AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017 (LBP million)	31-Dec-17	31-Dec-16
OPERATING ACTIVITIES		
Profit before tax	308,869	349,954
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	21,246	22,538
(Write-back of provision) provision for loans and advances and direct write offs, net	18,870	(7,347)
(Write-back of provision) provision for balances with central banks, net	-	(1,578)
Gain on disposal of property and equipment	(1,853)	(11)
Gain on disposal of assets obtained in settlement of debt	(3,202)	(4,093)
Provisions for risks and charges, net	17,953	154,612
Unrealized fair value gains on financial instruments at fair value through profit or loss	703	3,727
Realized gains from financial assets	(30,217)	(397,821)
Derivative financial instruments	3,068	(2,953)
Impairment losses on financial investments	-	49,676
Impairment of goodwill	-	12,427
Foreign currency translation losses on deconsolidation of subsidiaries	-	137,890
Operating profit before working capital changes	335,437	317,021
Changes in operating assets and liabilities		
Due from central banks	(2,664,426)	(1,563,261)
Due to central banks	596,650	226,518
Due from banks and financial institutions	54,695	(2,832)
Financial assets at fair value through profit or loss	526,338	(516,138)
Due to banks and financial institutions	16,186	61,285
Net loans and advances to customers and related parties	(425,896)	(316,469)
Assets obtained in settlement of debt	(4,546)	(2,836)
Proceeds from sale of assets obtained in settlement of debt	6,156	5,679
Other assets	8,365	(17,397)
Customers' and related parties' deposits	1,356,845	516,361
Other liabilities	(11,748)	223,967
Cash used in operations	(205,944)	(1,068,102)
Provision for risks and charges paid	(5,091)	(3,487)
Taxation paid	(116,708)	(54,374)
Net cash used in from operating activities	(327,743)	(1,125,963)
INVESTING ACTIVITIES		
Financial assets at amortized cost	1,521,996	1,499,210
Financial assets at fair value through other comprehensive income	(2,704)	(1,096)
Loans to banks and financial institutions and reserve purchase agreements	44,178	420,841
Purchase of property and equipment	(49,484)	(35,011)
Proceeds from sale of property and equipment	3,969	377
Net cash outflow from deconsolidation of subsidiaries	-	(132,565)
Acquisition of a subsidiary, net of cash acquired	-	(83,599)
Net cash from investing activities	1,517,955	1,668,157
FINANCING ACTIVITIES		
Debts issued and other borrowed funds	9,484	(1,127)
Subordinated debt	2,830	2,765
Treasury shares	(841)	1,528
Dividends paid to equity holders of the parent	(161,137)	(161,060)
Dividends paid to non-controlling interests	(3,581)	(3,153)
Acquisition of additional non-controlling interests	-	(1,861)
Net cash used in financing activities	(153,245)	(162,908)
INCREASE IN CASH AND CASH EQUIVALENTS	1,036,967	379,286
Net effect of foreign exchange	15,427	(58,374)
Cash and cash equivalents at 1 January	5,087,112	4,766,200
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6,139,506	5,087,112
Operational cash flows from interest and dividends		
Interest paid	(1,258,322)	(1,168,296)
Interest received	1,735,080	1,566,523
Dividend received	5,293	5,049