

The cover features a stylized landscape with a large white sun or moon in the center, set against a background of blue and white hills. The sun is partially obscured by a dark blue circular outline. Below the sun, the text 'ANNUAL REPORT 2017' is written in a bold, dark blue font. The bottom of the cover shows a dark blue foreground with a small red and white object, possibly a buoy or a small boat, in the water.

**ANNUAL REPORT**  
**2017**



**ANNUAL REPORT  
2017**

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# 01 BOARD OF DIRECTORS AND MANAGEMENT

## BOARD OF DIRECTORS

		Member of the Audit Committee	Member of the Risk Committee	Member of the Remuneration Committee	Member of the Compliance AML/CFT Board Committee
Mr. Philippe R. SEDNAOUI	Chairman				
Mr. Fady G. AMATOURY	Independent member	✓ Chair		✓ Chair	✓
Mr. Toufic R. AOUAD	Executive member		✓		
Dr. Khalil M. BITAR	Independent member		✓ Chair	✓	
Dr. Joe A. DEBBANE	Independent member				✓ Chair
Mr. Salam G. NADDA	Non-executive member	✓	✓	✓	✓
Mrs. Wafaa S. YOUNES	Non-executive member	✓			
Bank Audi sal	Member				

## MANAGEMENT

Mr. Philippe R. SEDNAOUI	Chairman and General Manager
Mr. Toufic R. AOUAD	General Manager

# 02 CHAIRMAN'S LETTER

Despite deepening regional turmoil, our company's business model has continued to perform in 2017, breaking new records and setting new private banking standards.

During the course of 2017 APB realized robust results, with net profit increasing by a record 62% and reaching LBP 71 billion, comprising a net profit increase of 16% from ordinary operations when exceptional dividends from subsidiaries are excluded, a result again driven by an increase in healthy fee based revenue.

This performance has again been recognized in 2017 by many prestigious international publications such as Euromoney, Global Investor, Global Finance and The Banker, with a regional and local array of awards reflecting APB's emerging footprint in the private banking landscape.

In anticipation of a legal unification of Bank Audi Private Bank, APB has initiated in 2017 the divestment of all its non-core subsidiaries, this process will fully conclude in 2018.

Audi Private Bank has continued its integration in the overall Business Franchise deriving major synergies and best practices from a unified Global Investment Office and an increasingly integrated infrastructure and governance. Its geographical commercial footprint has also been successfully enlarged thanks to this continuing integration.

I would like to thank all the members of our team for the hard work, engagement and dedication shown throughout this year as well as our esteemed clients for their unmitigated trust and look forward to continuing growth and success for the years to come.



**Philippe R. Sednaoui**

Chairman of the Board



## STATEMENT OF FINANCIAL POSITION (IN LBP MILLION)

	AS AT					
	31/12/17			31/12/16		
	LBP	C/V LBP	Total	LBP	C/V LBP	Total
<b>ASSETS</b>						
Cash and balances with Central Banks	21,961	281,760	303,721	15,498	329,769	345,267
Due from banks and financial institutions	38	14,140	14,178	25	22,474	22,499
Due from head office, sister, and subsidiary companies	393,392	1,237,551	1,630,943	439,862	941,295	1,381,158
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	-	-	-
Financial assets given as collateral	-	-	-	-	-	-
Derivative financial instruments	339	216	555	1,613	216	1,829
Financial assets at fair value through profit and loss	-	3,696	3,696	-	3,288	3,288
Debt instruments and other similar financial assets at fair value through profit and loss	-	-	-	-	-	-
<i>Of which: net advances and loans at fair value through profit and loss</i>	-	-	-	-	-	-
Net loans and advances to customers at amortized cost <sup>(1)</sup>	24,428	193,917	218,345	27,110	174,481	201,592
Net loans and advances to related parties at amortized cost <sup>(2)</sup>	-	4,891	4,891	-	9,563	9,563
Debtors by acceptances	-	-	-	-	-	-
Financial assets at amortized cost <sup>(3)</sup>	-	63,869	63,869	-	3,674	3,674
Financial assets at fair value through other comprehensive income	135	43,645	43,780	4,301	43,155	47,456
Investments in subsidiaries and associates	6,345	-	6,345	8,335	11,115	19,450
Non current assets held for sale	47	3,487	3,534	51	3,599	3,650
Property and equipment	1,111	-	1,111	1,329	-	1,329
Intangible assets	1,162	-	1,162	1,403	-	1,403
Other assets	5,465	11,011	16,476	4,169	8,144	12,313
Goodwill	-	-	-	-	-	-
<b>Total Assets</b>	<b>454,423</b>	<b>1,858,183</b>	<b>2,312,606</b>	<b>503,696</b>	<b>1,550,773</b>	<b>2,054,469</b>

<sup>(1)</sup> After deduction of provisions amounting to LBP 27,235 million from loans and advances to customers as per IAS 39, of which LBP 2,300 million representing provisions on collective assessment.

<sup>(2)</sup> Loans granted to related parties against cash collateral amounted to LBP 4.891 million.

<sup>(3)</sup> Includes an amount of LBP (million) 63.869 representing Lebanese Eurobonds.

	AS AT					
	31/12/17			31/12/16		
	LBP	C/V LBP	Total	LBP	C/V LBP	Total
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Due to Central Banks	-	-	-	-	-	-
Due to banks and financial institutions and repurchase agreement	207	1,551	1,758	195	132	328
Due to head office, sister, related banks and financial institutions	-	42,644	42,644	-	1,063	1,063
Financial assets taken as a guarantee	-	-	-	-	-	-
Derivative financial instruments	193	-	193	538	-	538
Financial liabilities at fair value through profit and loss	-	-	-	-	-	-
<i>Of which: deposits at fair value through profit and loss</i>	-	-	-	-	-	-
Customers' deposits at amortised cost	223,565	1,774,627	1,998,192	240,901	1,513,050	1,753,952
Deposits from related parties at amortized cost	6,145	11,314	17,459	7,940	9,675	17,615
Debt issued and other borrowed funds	-	-	-	-	-	-
Engagements by acceptances	-	-	-	-	-	-
Other liabilities	30,385	2,189	32,574	33,656	1,696	35,351
Provisions for risks and charges	7,640	-	7,640	8,025	-	8,025
Subordinated loans and similar debts	-	-	-	-	-	-
Non-current liabilities held for sale	-	-	-	-	-	-
<b>Total liabilities</b>	<b>268,136</b>	<b>1,832,324</b>	<b>2,100,460</b>	<b>291,255</b>	<b>1,525,616</b>	<b>1,816,871</b>
<b>SHAREHOLDERS' EQUITY - GROUP SHARE</b>						
Capital - Common shares	40,000	-	40,000	40,000	-	40,000
Capital - Preferred shares	-	-	-	-	-	-
Issue premium - Common shares	-	-	-	-	-	-
Issue premium - Preferred shares	-	-	-	-	-	-
Subsidiary shares warrants	-	-	-	-	-	-
Share capital and cash contribution to capital	-	-	-	-	-	-
Non-distributable reserves	90,143	36,907	127,050	76,427	34,627	111,054
Distributable reserves	36	-	36	43,914	3,317	47,231
Treasury shares	-	-	-	-	-	-
Retained earnings	2,830	-	2,830	21,073	-	21,073
Proposed dividends	-	-	-	-	-	-
Revaluation reserve of real estate	-	-	-	-	-	-
Reserve on revaluation of financial assets at fair value through other comprehensive income	-	(27,642)	(27,642)	2,761	(28,379)	(25,617)
Remeasurement actuarial (gain)/Loss on defined benefit plan	(1,246)	-	(1,246)	27	-	27
Share of associates' other comprehensive income under equity method	-	-	-	-	-	-
Foreign currency translation reserve	-	-	-	-	-	-
Net (loss) gain on hedge of net investments in foreign entities	-	-	-	-	-	-
Result of the current period	71,119	-	71,119	43,832	-	43,832
<b>Shareholders' Equity - Group Share</b>	<b>202,881</b>	<b>9,265</b>	<b>212,146</b>	<b>228,033</b>	<b>9,565</b>	<b>237,598</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total shareholders' equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and equity</b>	<b>471,017</b>	<b>1,841,589</b>	<b>2,312,606</b>	<b>519,288</b>	<b>1,535,181</b>	<b>2,054,469</b>

# 04 OFF-BALANCE SHEET

(IN LBP MILLION)

	AS AT					
	31/12/17			31/12/16		
	LBP	C/V LBP	Total	LBP	C/V LBP	Total
<b>Financing commitments</b>						
Financing commitments given to banks and financial institutions	-	-	-	-	-	-
Financing commitments given to customers	-	55,647	55,647	-	50,205	50,205
<b>Bank guarantees</b>						
Guarantees given to banks and financial institutions	301	215	516	415	14,015	14,430
<i>Of which: credit derivatives</i>	-	-	-	-	-	-
Guarantees received from banks and financial institutions	-	-	-	-	-	-
<i>Of which: credit derivatives</i>	-	-	-	-	-	-
Guarantees given to customers	502	5,780	6,283	1,762	20,377	22,139
Guarantees received from customers	48,805	434,187	482,993	52,223	396,709	448,932
<b>Financial notes commitments</b>						
Financial notes commitments to be received	-	-	-	-	-	-
<i>Of which: financial instruments sold with a buy back option</i>	-	-	-	-	-	-
Financial notes commitments to be delivered	-	-	-	-	-	-
<i>Of which: financial instruments purchased with a buy back option</i>	-	-	-	-	-	-
<b>Foreign currencies forwards</b>						
Foreign currencies to receive	-	40,142	40,142	-	139,228	139,228
Foreign currencies to deliver	-	39,996	39,996	-	138,153	138,153
<b>Commitments on term financial instruments</b>	-	<b>9,568</b>	<b>9,568</b>	-	<b>23,222</b>	<b>23,222</b>
<b>Other commitments</b>	<b>199</b>	-	<b>199</b>	<b>45</b>	-	<b>45</b>
<b>Claims from legal cases</b>	-	-	-	-	-	-
<b>Fiduciary accounts</b>	<b>2,114</b>	<b>1,385,087</b>	<b>1,387,200</b>	<b>2,114</b>	<b>2,162,126</b>	<b>2,164,240</b>
<b>Under specific instructions</b>	<b>2,114</b>	<b>1,385,087</b>	<b>1,387,200</b>	<b>2,114</b>	<b>2,162,126</b>	<b>2,164,240</b>
<b>Under discretionary investments</b>	-	-	-	-	-	-
<b>Assets under management</b>	<b>74,003</b>	<b>2,341,233</b>	<b>2,415,236</b>	<b>57,698</b>	<b>2,010,128</b>	<b>2,067,827</b>
<b>Mutual funds</b>	-	-	-	-	-	-
<b>Structured financial products</b>	-	-	-	-	-	-
<b>Engagement unlikely to be executed</b>	-	-	-	-	-	-
<b>Bad debts written off during the year</b>	-	<b>545</b>	<b>545</b>	<b>623</b>	<b>12,855</b>	<b>13,478</b>

# 05 INCOME STATEMENT

(IN LBP MILLION)

	31/12/17	31/12/16
Interest and similar income	100,633	90,924
Interest and similar expense	(51,240)	(45,058)
<b>Net interest margin</b>	<b>49,393</b>	<b>45,866</b>
Fee and commission income	32,076	23,276
Fee and commission expense	(1,554)	(1,220)
<b>Net fee and commission Income</b>	<b>30,522</b>	<b>22,056</b>
Net gain on financial assets or liabilities at fair value through profit and loss	1,647	2,158
<i>Of which: interest income</i>	-	-
Net gain on financial investments	30,630	432
Other operating Income	1,561	530
<b>Total operating income</b>	<b>113,753</b>	<b>71,042</b>
Net provisions for credit losses	2,165	9,200
Credit losses related to debt instruments classified at amortized cost	-	-
Provision for doubtful accounts	-	(4,341)
Recoveries of provisions for doubtful accounts	2,165	13,541
Impairment on related financial investments	-	(283)
<b>Net operating income</b>	<b>115,918</b>	<b>79,959</b>
Personnel expenses	(22,704)	(17,968)
Other operating expenses	(9,151)	(8,982)
Depreciation of property and equipment	(437)	(425)
Amortization of intangible assets	(519)	(515)
Impairment of goodwill	-	-
<b>Total operating expenses</b>	<b>(32,811)</b>	<b>(27,891)</b>
<b>Operating profit</b>	<b>83,107</b>	<b>52,069</b>
Share of profit of associates under equity method	-	-
Net gain (loss) on sale or disposal of other asset	-	-
<b>Profit before tax</b>	<b>83,107</b>	<b>52,069</b>
Income tax	(11,988)	(8,237)
<b>Profit after tax</b>	<b>71,119</b>	<b>43,832</b>
<b>Result of discontinued operations, net of tax</b>	<b>-</b>	<b>-</b>
<b>Profit for the current period</b>	<b>71,119</b>	<b>43,832</b>
Minority share profit for the current period	-	-
Group share profit for the current period	-	-
Basic earnings per share LBP	-	-
Diluted earnings per share LBP	-	-
Basic earnings per share from continuing operations LBP	-	-
Diluted earnings per share from continuing operations LBP	-	-

# 06 FINANCIAL HIGHLIGHTS 2017

2017 is yet another year of growth for Audi Private Bank amidst rising challenges in the regional economical and geopolitical situation. Indeed, Audi Private Bank has continued to maintain its solid growth in 2017, which has resulted in a year-on-year increase in net profit by 62.3% to LBP 71 billion. Excluding dividends received from Solifac, net profit from ordinary operation was LBP 51 billion in 2017, an increase of 16.6% when compared to 2016.

Total footings (on-balance sheet assets and off-balance sheet assets under management) decreased slightly by 2.7%, moving from LBP 6,287 billion to LBP 6,115 billion as at end of 2017 as follows:

- Customers' deposits increased by 13.8% reaching a total of LBP 2,016 billion. Off balance sheet assets under management including fiduciary accounts decreased 10.2% to LBP 3,802 billion.

- Net interest income increased from LBP 46 billion to LBP 49 billion reflecting an improvement of 7.7%. Non-interest income posted a substantial year-on-year growth of 155% at LBP 64 billion (of which LBP 30 billion of Dividends received from Solifac and from the sale of investments) and net fees & commission income improved by 38.4% to reach LBP 31 billion.

- Finally, net recoveries of provisions for credit losses amounted to LBP 2.2 billion.

Within the context of the Bank's expansion strategy, total operating expenses increased by 17.6% to LBP 33 billion (non-staff expenses remained stable at LBP 10.2 billion, and staff expenses increased by 26.4% due to variable performance expenses linked to increased activity).

# 07 BANK AUDI ADDRESSES

## BANK AUDI PRIVATE BANK

### AUDI PRIVATE BANK sal

#### Beirut

##### HEAD OFFICE

Bank Audi Plaza  
Block D, Bab Idriss  
P.O. Box 11-1121  
Beirut, Lebanon

Tel: +961 1 954 800, 954 900  
Fax: +961 1 954 880  
contactus.lebanon@bankaudiipb.com  
bankaudiipb.com

##### BRANCH

Bank Audi Plaza  
Block D, Bab Idriss  
Beirut, Lebanon

Tel: +961 1 954 800, 954 900  
Fax: +961 1 991 287, 954 841  
branchassistance@bankaudiipb.com

### BANQUE AUDI (SUISSE) sa

#### HEAD OFFICE

#### Geneva

18, Cours des Bastions  
P.O. Box 384  
1211 Geneva 12, Switzerland

Tel: +41 22 704 11 11  
Fax: +41 22 704 11 00  
contactus.gva@bankaudiipb.com  
bankaudiipb.com

##### REPRESENTATIVE OFFICE

#### Beirut

Bank Audi Plaza  
Bab Idriss  
P.O. Box 11-2666  
Beirut, Lebanon

Tel: +961 1 977 544  
Fax: +961 1 980 535

### AUDI CAPITAL (KSA) cjsc

#### Riyadh

2908 Centria Bldg., 3<sup>rd</sup> Floor, Prince  
Mohammad Bin Abdul Aziz Road  
(Tahlia). Postal Address: Unit No. 28  
Ar Riyadh 12241-6055  
P.O. Box 250744 Riyadh 11391  
Kingdom of Saudi Arabia

Tel: +966 1 2199300  
Fax: +966 1 4627942  
contactus@audicapital.com  
audicapital.com

### AUDI CAPITAL GESTION SAM

#### Monaco

Monte-Carlo Palace  
3-9 Boulevard des Moulins  
MC - 98000 Monaco

Tel: +377 97 97 65 11  
Fax: +377 97 97 65 19  
contactus.mc@bankaudiipb.com  
bankaudiipb.com

### BANK AUDI sal

#### Abu Dhabi

##### REPRESENTATIVE OFFICE

Etihad Towers, Tower 3, 15<sup>th</sup> Fl.  
Office 1503, Corniche Street  
P.O. Box 94409 Abu Dhabi  
United Arab Emirates

Tel: +971 2 6331180  
Fax: +971 2 6336044  
contactus.abu-dhabi@bankaudiipb.com  
bankaudiipb.com

## BANK AUDI

### BANK AUDI sal

#### Beirut

##### HEADQUARTERS

Bank Audi Plaza  
Bab Idriss  
P.O. Box 11-2560  
Beirut, Lebanon

Tel: +961 1 994 000  
Fax: +961 1 990 555  
Customer Helpline: +961 1 212 120; 1570  
contactus@bankaudi.com.lb  
bankaudigroup.com

##### COUNTRY MANAGEMENT - LEBANON

Bank Audi Palladium  
Bab Idriss  
P.O. Box 11-2560  
Beirut, Lebanon

Tel: +961 1 994 000  
Fax: +961 1 990 555  
contactus@bankaudi.com.lb  
bankaudi.com.lb

##### M1 Building

Bab Idriss  
P.O. Box 11-2560  
Beirut, Lebanon

Tel: +961 1 994 000  
Fax: +961 1 990 555  
contactus@bankaudi.com.lb  
bankaudi.com.lb

### BANK AUDI FRANCE sa

#### Paris

73 Champs-Élysées Avenue  
75008 Paris, France

Tel: +33 1 53 83 50 00  
Fax: +33 1 42 56 09 74  
contactus@bankaudi.fr  
bankaudi.fr

### BANK AUDI LLC

#### Doha

Qatar Financial Centre Tower, 18<sup>th</sup> Fl.  
Diplomatic Area, West Bay  
P.O. Box 23270  
Doha, Qatar

Tel: +974 44967365  
Fax: +974 44967373  
contactus.qatar@bankaudiipb.com  
bankaudiipb.com

## BANK AUDI INVESTMENT BANK

### AUDI INVESTMENT BANK sal

#### Beirut

Bank Audi Plaza  
Block B, Bab Idriss  
P.O. Box 16-5110  
Beirut, Lebanon

Tel: +961 1 994 000  
Fax: +961 1 999 406  
contactus@bankaudiib.com  
bankaudigroup.com



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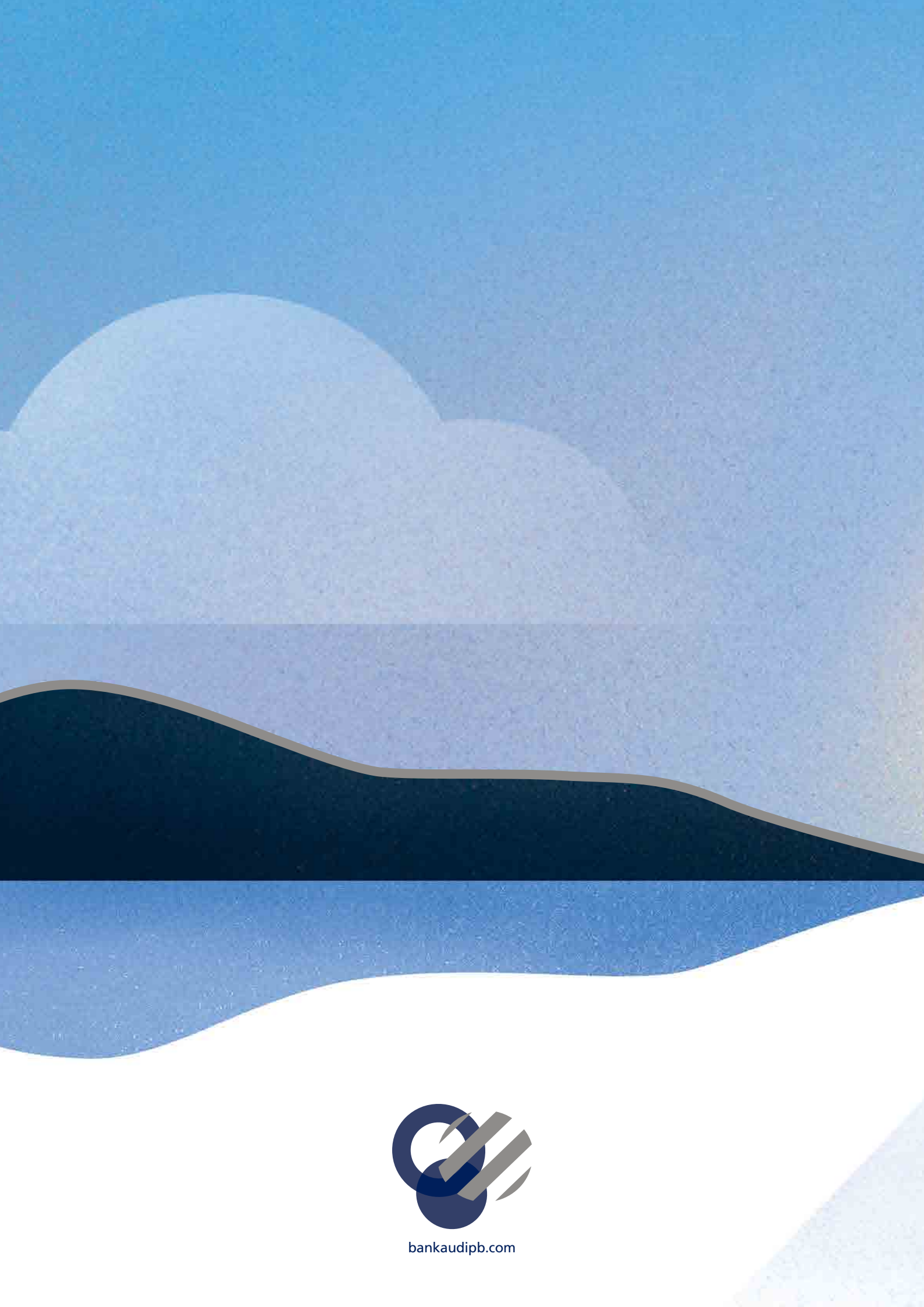
As your journey unfolds, your focus shifts to what really matters – securing a prosperous future for generations to come. At Bank Audi Private Bank, the best Private Bank for Customer Service in the Middle East, we understand the importance of forging lifelong bonds, passing on your values, and building something beyond your lifetime. That is why with our team of experts, you now have a true partner by your side, so you can better plan for your future and that of your loved ones.

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