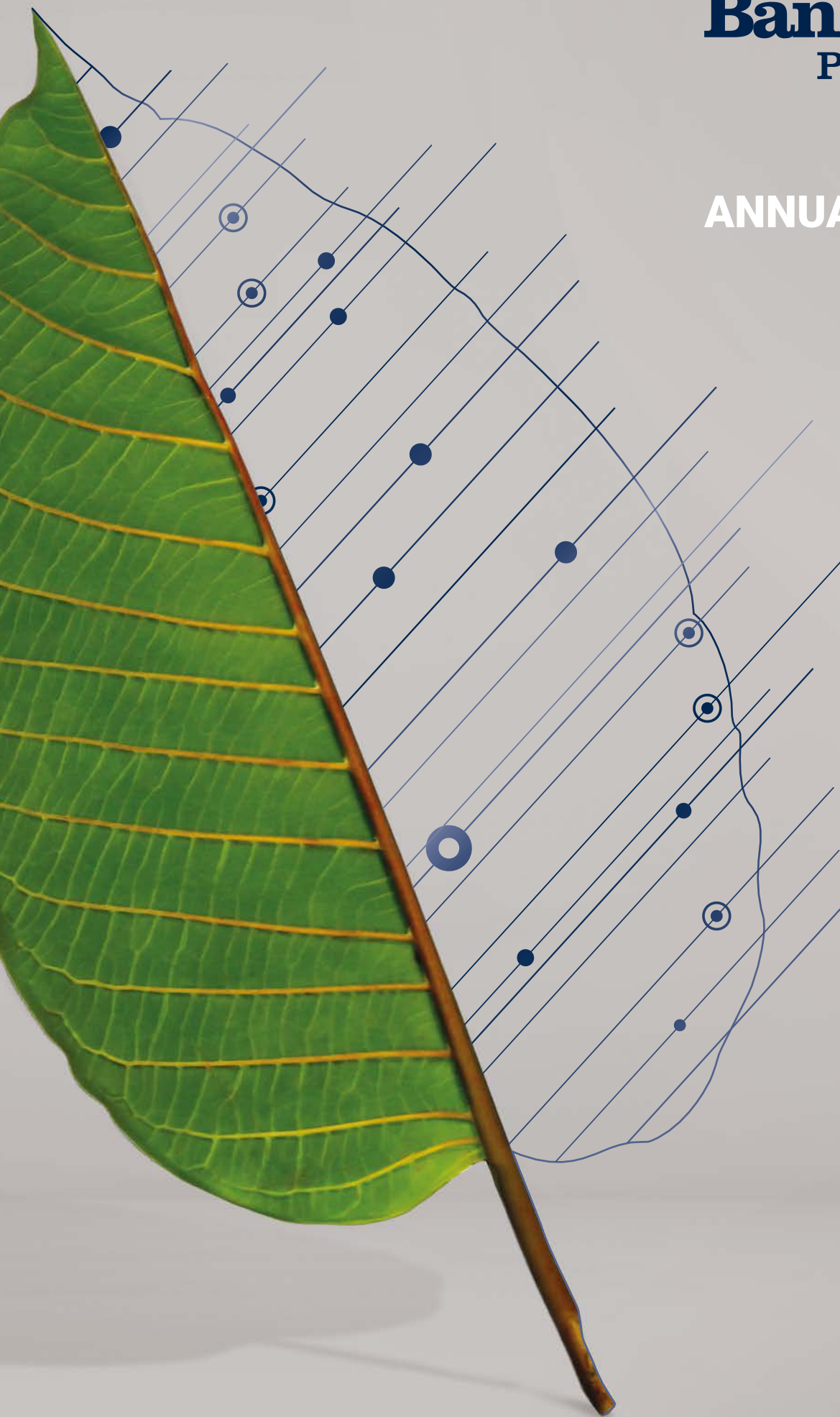


**Bank Audi**  
Private Bank

**ANNUAL REPORT**  
**2018**





**ANNUAL REPORT**  
**2018**

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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 AML/CFT Committee
Mr. Philippe R. SEDNAOUI	Chairman				
Mr. Toufic R. AOUAD	Member		✓		
Dr. Khalil M. BITAR	Member		✓ Chair	✓	
Dr. Joe A. DEBBANE	Member				✓ Chair
Mr. Salam G. NADDA	Member	✓	✓	✓	✓
Mrs. Wafaa S. YOUNES	Member	✓			
BAPB Holding Ltd	Member				

## MANAGEMENT

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

## AUDITORS

Ernst & Young p.c.c.  
BDO, Semaan Gholam & Co.

## LEGAL ADVISORS

Messrs. Cortbaoui & Kanaan

# 02 CHAIRMAN'S LETTER

2018 was a year marked by deteriorating Macro conditions in Lebanon and a runaway government deficit. Volatility in global markets in the last quarter of the year added to Investors concern and the search of safe havens was increasingly pronounced.

Despite these negative trends Audi Private Bank was able to achieve another year of positive results, capitalizing on a proven business model. Efficiency and client centricism were key to repeating the previous year's unprecedented profit levels despite a decrease in total footings of 8%.

2018 saw a conclusion of the legal unification of Bank Audi Private Bank affiliates under the umbrella of the Global and dedicated new Business Franchise named BAPB holding and based in Cyprus. The process initiated in 2017 was completed in December 2018 with APB now a wholly owned subsidiary of BAPB in Cyprus with its focus exclusively turned to its Private Banking clients and mission.

The Private Bank is now a distinct and homogeneous Business cluster in the Audi Group. As a result, APB customers will more than ever have their wealth protected generating income and growth from core private banking operations for the years to come.

In closing, I wish to thank all our dedicated colleagues for their continuing efforts throughout this year, and our valued clientele for its trust and whose best interests we are here to serve.



**Philippe R. Sednaoui**

Chairman of the Board

## 03

## STATEMENT OF FINANCIAL POSITION

(IN LBP MILLION)

	AS AT					
	31/12/18			31/12/17		
	LBP	C/V LBP	Total	LBP	C/V LBP	Total
<b>ASSETS</b>						
Cash and balances with Central Banks	18,401	252,377	270,778	21,961	281,760	303,721
Due from banks and financial institutions	-	27,287	27,287	38	14,140	14,178
Due from head office, sister, and subsidiary companies	363,557	1,221,679	1,585,236	393,392	1,237,551	1,630,943
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-	-	-	-
Financial assets given as collateral	-	-	-	-	-	-
Derivative financial instruments	924	216	1,140	339	216	555
Financial assets at fair value through profit and loss	-	1,694	1,694	-	3,696	3,696
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>	23,090	152,826	175,916	24,428	193,917	218,345
Net loans and advances to related parties at amortized cost <sup>(2)</sup>	-	5,243	5,243	-	4,891	4,891
Debtors by acceptances	-	-	-	-	-	-
Financial assets at amortized cost <sup>(3)</sup>	-	63,353	63,353	-	63,869	63,869
Financial assets at fair value through other comprehensive income	-	378	378	135	43,645	43,780
Investments in subsidiaries and associates	-	-	-	6,345	-	6,345
Non current assets held for sale	47	3,487	3,534	47	3,487	3,534
Property and equipment	1,253	1	1,254	1,111	-	1,111
Intangible assets	1,579	-	1,579	1,162	-	1,162
Other assets	9,935	5,167	15,102	5,465	11,011	16,476
Goodwill	-	-	-	-	-	-
<b>Total Assets</b>	<b>418,786</b>	<b>1,733,708</b>	<b>2,152,494</b>	<b>454,423</b>	<b>1,858,183</b>	<b>2,312,606</b>

<sup>(1)</sup> After deduction of provisions amounting to LBP 1,304 million from loans and advances to customers as per IFRS 9, of which LBP 606 million representing provisions on collective assessment.

<sup>(2)</sup> Loans granted to related parties against cash collateral amounted to LBP 5.243 million.

<sup>(3)</sup> Includes an amount of LBP (million) 63.353 representing Lebanese Eurobonds.



	<b>AS AT</b>					
	<b>31/12/18</b>			<b>31/12/17</b>		
	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	211	949	1,160	207	1,551	1,758
Due to head office, sister, related banks and financial institutions	-	43,385	43,385	-	42,644	42,644
Financial assets taken as a guarantee	-	-	-	-	-	-
Derivative financial instruments	725	-	725	193	-	193
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	172,292	1,661,376	1,833,668	223,565	1,774,627	1,998,192
Deposits from related parties at amortized cost	6,028	9,122	15,150	6,145	11,314	17,459
Debt issued and other borrowed funds	-	-	-	-	-	-
Engagements by acceptances	-	-	-	-	-	-
Other liabilities	26,178	1,579	27,757	30,385	2,189	32,574
Provisions for risks and charges	7,461	-	7,461	7,640	-	7,640
Subordinated loans and similar debts	-	-	-	-	-	-
Non-current liabilities held for sale	-	-	-	-	-	-
<b>Total liabilities</b>	<b>212,895</b>	<b>1,716,411</b>	<b>1,929,306</b>	<b>268,135</b>	<b>1,832,325</b>	<b>2,100,460</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	139,788	-	139,788	90,143	36,907	127,050
Distributable reserves	37	-	37	36	-	36
Treasury shares	-	-	-	-	-	-
Retained earnings	(26,570)	-	(26,570)	2,830	-	2,830
Proposed dividends	-	-	-	-	-	-
Revaluation reserve of real estate	-	-	-	-	-	-
Reserve on revaluation of financial assets at fair value through other comprehensive income	-	259	259	-	(27,642)	(27,642)
Remeasurement actuarial (gain)/Loss on defined benefit plan	(1,631)	-	(1,631)	(1,246)	-	(1,246)
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	71,305	-	71,305	71,118	-	71,118
<b>Shareholders' Equity - Group Share</b>	<b>222,929</b>	<b>259</b>	<b>223,188</b>	<b>202,881</b>	<b>9,265</b>	<b>212,146</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>435,824</b>	<b>1,716,670</b>	<b>2,152,494</b>	<b>471,016</b>	<b>1,841,590</b>	<b>2,312,606</b>

# 04 OFF-BALANCE SHEET

(IN LBP MILLION)

	AS AT					
	31/12/18			31/12/17		
	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	-	58,519	58,519	-	55,647	55,647
<b>Bank guarantees</b>						
Guarantees given to banks and financial institutions	301	215	516	301	215	516
<i>Of which: credit derivatives</i>	-	-	-	-	-	-
Guarantees received from banks and financial institutions	-	-	-	-	-	-
<i>Of which: credit derivatives</i>	-	-	-	-	-	-
Guarantees given to customers	357	5,945	6,303	502	5,780	6,283
Guarantees received from customers	41,465	327,498	368,964	48,805	434,187	482,993
<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	-	366,818	366,818	-	40,142	40,142
Foreign currencies to deliver	-	366,619	366,619	-	39,996	39,996
<b>Commitments on term financial instruments</b>	-	<b>13,193</b>	<b>13,193</b>	-	<b>9,568</b>	<b>9,568</b>
<b>Other commitments</b>	-	<b>152</b>	<b>152</b>	<b>199</b>	-	<b>199</b>
<b>Claims from legal cases</b>	-	-	-	-	-	-
<b>Fiduciary accounts</b>	<b>2,112</b>	<b>1,248,838</b>	<b>1,250,950</b>	<b>2,114</b>	<b>1,385,087</b>	<b>1,387,200</b>
<b>Under specific instructions</b>	<b>2,112</b>	<b>1,248,838</b>	<b>1,250,950</b>	<b>2,114</b>	<b>1,385,087</b>	<b>1,387,200</b>
<b>Under discretionary investments</b>	-	-	-	-	-	-
<b>Assets under management</b>	<b>69,625</b>	<b>2,124,386</b>	<b>2,194,011</b>	<b>74,003</b>	<b>2,341,233</b>	<b>2,415,236</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>247</b>	<b>247</b>	-	<b>545</b>	<b>545</b>

# 05 INCOME STATEMENT

(IN LBP MILLION)

	31/12/18	31/12/17
Interest and similar income	128,971	100,633
Interest and similar expense	(75,313)	(51,240)
<b>Net interest margin</b>	<b>53,658</b>	49,393
Fee and commission income	27,751	32,076
Fee and commission expense	(2,908)	(1,554)
<b>Net fee and commission Income</b>	<b>24,843</b>	30,522
Net gain on financial assets or liabilities at fair value through profit and loss	1,325	1,647
<i>Of which: interest income</i>	-	-
Net gain on financial investments	33,088	30,630
Other operating Income	4,999	1,561
<b>Total operating income</b>	<b>117,914</b>	113,753
Net provisions for credit losses	478	2,165
Credit losses related to debt instruments classified at amortized cost	-	-
Provision for doubtful accounts	-	-
Recoveries of provisions for doubtful accounts	472	1,541
Impairment on related financial investments	-	-
<b>Net operating income</b>	<b>118,392</b>	115,918
Personnel expenses	(23,162)	(22,704)
Other operating expenses	(9,402)	(9,151)
Depreciation of property and equipment	(473)	(438)
Amortization of intangible assets	(539)	(519)
Impairment of goodwill	-	-
<b>Total operating expenses</b>	<b>(33,576)</b>	(32,812)
<b>Operating profit</b>	<b>84,815</b>	83,106
Share of profit of associates under equity method	-	-
Net gain (loss) on sale or disposal of other asset	-	-
<b>Profit before tax</b>	<b>84,815</b>	83,106
Income tax	(13,510)	(11,988)
<b>Profit after tax</b>	<b>71,305</b>	71,118
<b>Result of discontinued operations, net of tax</b>	-	-
<b>Profit for the current period</b>	<b>71,305</b>	71,118
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 2018

2018 is yet another year of growth for Audi Private Bank amidst rising challenges in the regional economical and geopolitical situation, in addition to tightening in the local and international regulatory environment.

Total footings (on-balance sheet assets, off-balance sheet assets under management) decreased by 8.46%, moving from LBP 6,115 billion to LBP 5,597 billion as at end of 2018.

Due to the stagnation witnessed in the Lebanese market, customers' deposits decreased by 8.2% reaching a total of LBP 1,849 billion. Off balance sheet assets under management, including fiduciary accounts, have reached LBP 3,445 billion as of December 2018 down by 9.4% year-on-year.

The Bank's profitability trend continued to be positive in 2018. Net interest income increased from LBP 49 billion to LBP 54 billion reflecting an improvement of 8.6%. Non-interest income maintained YoY amount of LBP 64 billion, (including LBP 33 Billion generated from Solifac i.e. LBP 12 billion in dividends and LBP 21 billion in net gain on sale) whereas, net fees & commission income decreased by 18.6% to reach LBP 25 billion.

In addition to the above, net recoveries of provisions for credit losses amounted to LBP 0.5 billion.

Within the context of the Bank's expansion strategy, total operating expenses increased by 2.3% to LBP 34 billion, mainly due to 2% increase in staff costs.

In summary, Audi Private Bank has continued to maintain its growth in 2018, which has resulted in a year-on-year increase in net profit by 0.2% to LBP 71 billion despite the increase in the cost of funding its business.

## 07

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**BANK AUDI**

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**Bank Audi**  
Private Bank

## Bank Audi Private Bank When trust proves worthy

Trust is the basis of any solid foundation and we believe in your vision to grow beyond. As a Private Bank, we stay abreast global financial trends, understanding local needs while offering access to markets near you. We keep building on our relationships, offering you expert assistance and personalized solutions that preserve your wealth for generations to come.

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