

AUDITED CONSOLIDATED FINANCIAL STATEMENTS As at 31 December 2016

**CAPITAL LBP 689,113,198,400 FULLY PAID,
TOTAL EQUITY 3,139,600,000,000 | C.R.B.14150,
LIST OF BANKS NO. 39, HEAD OFFICE - BEIRUT**



BOARD OF DIRECTORS

Dr. François S. Bassil | Chairman of Byblos Bank Group
Mr. Semaan F. Bassil | Chairman & General Manager
Baron Dr. Guy L. Quaden | Director
Des S. O'shea | Director
Mr. Ahmad T. Tabbarah | Director

Mr. Bassam A. Nassar | Director
Faysal M. Ali El 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 2016 (LBP millions)

	31-DEC-16	31-DEC-15
ASSETS		
Cash and balances with central banks	8,783,092	7,236,237
Due from banks and financial institutions	2,657,429	2,518,365
Loans to banks and financial institutions and reverse repurchase agreements	964,066	1,197,047
Financial assets given as collateral	224,044	1,405
Derivative financial instruments	4,420	1,844
Financial assets at fair value through profit or loss	789,172	295,845
Net loans and advances to customers at amortized cost*	7,787,275	7,399,641
Net loans and advances to related parties at amortized cost	20,714	35,275
Debtors by acceptances	223,883	244,705
Financial assets at amortized cost	9,416,979	10,516,514
Financial assets at fair value through other comprehensive income	101,305	101,907
Property and equipment	247,095	255,125
Intangible assets	380	493
Assets taken in settlement of debt	43,299	42,006
Other assets	110,438	108,001
TOTAL ASSETS	31,373,591	29,954,410

(*) After Deducting:

Reserved Interest on sub-standard, doubtful, and bad loans	53,964	80,671
Specific Provisions for doubtful and bad loans	158,278	183,738
Provisions Based on Collective Assessment	78,643	131,448

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	31-DEC-16	31-DEC-15
LIABILITIES AND EQUITY		
LIABILITIES		
Due to central banks	332,971	117,412
Due to banks and financial institutions	774,095	744,554
Derivative financial instruments	2,106	2,445
Customers' deposits at amortized cost	25,415,634	24,654,398
Deposits from related parties at amortized cost	366,027	425,749
Debt issued and other borrowed funds	444,072	445,199
Engagements by acceptances	223,883	244,705
Other liabilities	399,813	147,567
Provisions for risks and charges	275,390	171,538
Subordinated debt	420,165	417,400
TOTAL LIABILITIES	28,654,156	27,370,967
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
Share capital – common shares	684,273	684,273
Share capital – preferred shares	4,840	4,840
Share premium – common shares	229,014	229,014
Share premium – preferred shares	591,083	591,083
Non distributable reserves	843,320	815,884
Distributable reserves	103,246	99,211
Treasury shares	(5,161)	(6,807)
Retained earnings	67,518	61,832
Revaluation reserve of real estate	5,689	5,689
Change in fair value of financial assets at fair value through other comprehensive income	(9,081)	(7,961)
Net results of the financial period – profit	232,672	228,185
Foreign currency translation reserve	(65,341)	(193,842)
	2,682,072	2,511,401
NON-CONTROLLING INTERESTS	37,363	72,042
TOTAL EQUITY	2,719,435	2,583,443
TOTAL LIABILITIES AND EQUITY	31,373,591	29,954,410

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As at 31 December 2016 (LBP millions)

31-Dec-16	Banks	Customers	Total
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
31-Dec-15	Banks	Customers	Total
Guarantees and financial liabilities			
Financial guarantees	-	205,966	205,966
Other guarantees	276,315	885,162	1,161,477
	276,315	1,091,128	1,367,443
Commitments			
Documentary credits	238,008	150,647	388,655
Loan commitments	-	2,355,807	2,355,807
	238,008	2,506,454	2,744,462

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AUDITED CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2016 (LBP millions)

	31-DEC-16	31-DEC-15
Interest and similar income	1,545,922	1,489,087
Interest and similar expense	(1,176,124)	(1,102,771)
NET INTEREST INCOME	369,798	386,316
Fees and Commissions income	134,122	134,515
Fees and Commissions expense	(12,515)	(12,564)
NET FEES AND COMMISSIONS INCOME	121,607	121,951
Net gain from financial instruments at fair value through profit or loss	79,970	67,443
Net gain from sale of financial assets at amortized cost	417,699	86,939
Dividend income from financial assets at fair value through other comprehensive income	4,413	4,383
Other operating income	27,803	20,935
TOTAL OPERATING INCOME	1,021,290	687,967
Net credit gains (losses)	8,925	(47,908)
Impairment losses on financial investments	(49,676)	-
NET OPERATING INCOME	980,539	640,059
Personnel expenses	(195,787)	(180,792)
Other operating expenses	(145,474)	(139,187)
Depreciation of property and equipment	(22,425)	(23,466)
Amortisation of intangibles assets	(113)	(159)
Impairment of goodwill	(12,427)	-
TOTAL OPERATING EXPENSES	(376,226)	(343,604)
OPERATING PROFIT	604,313	296,455
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	11	65
PROFIT BEFORE TAX	363,954	296,520
Income tax expense	(114,719)	(53,083)
PROFIT FOR THE YEAR	249,235	243,437
Attributable to:		
Equity holders of the parent	232,672	228,185
Non-controlling interest	16,563	15,252
	249,235	243,437
Earnings per share		
Equity shareholders of the parent:	LL	LL
Basic earnings per share	327.22	319.18
Diluted earnings per share	310.18	303.21

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AUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016 (LBP millions)	31-Dec-16	31-Dec-15
PROFIT FOR THE YEAR	249,235	243,437
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be reclassified to the income statement in subsequent periods:		
Exchange difference on translation of foreign operations	(68,161)	(41,114)
Net other comprehensive loss to be reclassified to the income statement in subsequent periods	(68,161)	(41,114)
Items not to be reclassified to the income statement in subsequent periods:		
Net unrealized loss from financial assets at fair value through other comprehensive income	(1,306)	(503)
Income tax effect	194	75
	(1,112)	(428)
Re-measurement (losses) gains on defined benefit plans	(99)	474
Net other comprehensive (loss) income not to be reclassified to the income statement in subsequent periods	(1,211)	46
OTHER COMPREHENSIVE LOSS FOR THE YEAR NET OF TAX	(69,372)	(41,068)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	179,863	202,369
Attributable to:		
Equity holders of the parent	190,591	198,746
Non-controlling interests	(10,728)	3,623
	179,863	202,369

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AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016 (LBP millions)	31-DEC-16	31-DEC-15
OPERATING ACTIVITIES		
Profit before tax	363,954	296,520
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortisation	22,538	23,625
(Write-back of provision) provision for loans and advances and direct write offs, net	(7,347)	13,859
(Write-back of provision) provision for balances with central banks, net	(1,578)	35,620
Write-back of provision for financial assets at amortized cost, net	-	(1,571)
Gain on disposal of property and equipment	(11)	(65)
Gain on disposal of assets obtained in settlement of debt	(4,093)	(856)
Provisions for risks and charges, net	129,710	29,066
Unrealized fair value losses on financial instruments at fair value through profit or loss	3,727	5,200
Realized gains from financial assets	(397,821)	(86,688)
Derivative financial instruments	(2,953)	1,889
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	306,119	316,599
Changes in operating assets and liabilities		
Due from central banks	(1,563,261)	(508,137)
Due to central banks	226,518	42,483
Due from banks and financial institutions	(2,832)	6,866
Financial assets given as collateral	(222,639)	5,600
Financial assets at fair value through profit or loss	(516,138)	(145,714)
Due to banks and financial institutions	61,285	(37,252)
Net loans and advances to customers and related parties	(316,469)	(321,579)
Assets obtained in settlement of debt	(2,836)	(5,784)
Proceeds from sale of assets obtained in settlement of debt	5,679	1,311
Other assets	(17,397)	(4,898)
Customers' and related parties' deposits	516,361	1,389,545
Other liabilities	234,869	417
Cash (used in) from operations	(1,290,741)	739,457
Provision for risks and charges paid	(3,487)	(3,325)
Taxation paid	(54,374)	(65,042)
Net cash (used in) from operating activities	(1,348,602)	671,090
INVESTING ACTIVITIES		
Financial assets at amortized cost	1,721,849	(167,885)
Financial assets at fair value through other comprehensive income	(1,096)	(3,715)
Loans to banks and financial institutions and reserve purchase agreements	420,841	(386,418)
Purchase of property and equipment	(35,011)	(45,972)
Proceeds from sale of property and equipment	377	233
Net cash outflow from deconsolidation of subsidiaries	(132,565)	-
Acquisition of a subsidiary, net of cash acquired	(83,599)	-
Net cash from (used in) investing activities	1,890,796	(603,757)
FINANCING ACTIVITIES		
Debts issued and other borrowed funds	(1,127)	(188)
Subordinated debt	2,765	2,820
Treasury shares	1,528	(394)
Dividends paid to equity holders of the parent	(161,060)	(161,103)
Dividends paid to non-controlling interests	(3,153)	(5,508)
Acquisition of additional non-controlling interests	(1,861)	-
Net cash used in financing activities	(162,908)	(164,373)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	379,286	(97,040)
Net effect of foreign exchange	(58,374)	(33,572)
Cash and cash equivalents at 1 January	4,766,200	4,896,812
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	5,087,112	4,766,200
Operational cash flows from interest and dividends		
Interest paid	(1,168,296)	(1,102,999)
Interest received	1,566,523	1,474,227
Dividend received	5,049	4,956