

Press Release

Bank Audi Consolidated Activity Highlights as at End-June 2017

Beirut, July 27, 2017

- **US\$ 43.9 billion of assets**
- **US\$ 36.3 billion of customers' deposits**
- **US\$ 17.6 billion of loans to customers**
- **US\$ 3.8 billion of shareholders' equity**
- **US\$ 308 million of net profits in the first half of 2017**, and US\$ 213 million excluding net profits from the sale of the Card and Electronic Payment process and acquiring activities, of which 20% from Odea Bank and 11% from Bank Audi Egypt, raising the contribution of entities abroad to consolidated net profits to 49%.

Lebanon's real economy reported a slight improvement in the first half of 2017, yet below the requirements for a tangible recovery in the aftermath of sluggish performance prevailing for more than half a decade. In parallel, the Lebanese financial sector reported a sound performance year-to-date, within the context of a 27% growth in financial inflows to Lebanon over the first 5 months of 2017 relative to the same period of last year, translating in a decline in the deficit in the balance of payments from US\$ 1.8 billion in the first 5 months of 2016 to US\$ 350 million in the first 5 months of 2017, with evidence of additional improvement starting the month of June. Subsequently, deposits, the main driver of banking activity in Lebanon, registered an increase by US\$ 3.6 billion over the first five months of the year 2017, compared to US\$ 2.3 billion over the same period of last year, while loans to the resident private sector sustained the same growth over the two periods.

In Egypt and Turkey, where Bank Audi has a significant presence, the countries' economic and financial landscape reported a noticeable improvement, accompanied with an improvement in markets perception of sovereign risks, with CDS spreads contracting by 52 bps in Egypt and 78 bps in Turkey over the first half-year. In Egypt, it was tied to the success of ambitious reforms with Central Bank FX reserves reaching a six-year record high of above US\$ 31 billion, despite short-term monetary costs such as inflation, which reached circa 30%. In Turkey, it was tied to the decline of domestic political uncertainties post referendum, in addition to the relative improvement in the security situation and the improvement of the real economy, with a 5% real GDP growth in the first quarter, outpacing all market expectations.

Within this context, net profits of Bank Audi sal reached US\$ 308 million in the first half of 2017 and US\$ 213 million when excluding profits from the sale of the Card and Electronic payment processing and acquiring activities, as compared to US\$ 202 million in the first half of 2016, i.e. a net growth by 5.3%. On the backdrop of persisting challenging environment domestically and regionally, those results represent a favourable performance driven by the diversification of net profits sources, with the contribution of entities outside Lebanon to consolidated net profits rising to 49%. Odea Bank's net profits reached US\$ 42 million in the first half of 2017 as compared to US\$ 23 million achieved in the corresponding period of 2017. Odea Bank was granted a Ba3 rating from Moody's and BB- rating from Fitch, higher by 2 to 3 notches than the rating of the largest Lebanese banking groups, underscoring a sound financial profile.

In details:

- Consolidated assets of Bank Audi reached US\$ 43.9 billion at end-June 2017 as compared to US\$ 44.3 billion as at end-December 2016, registering a slight contraction by 0.9%, stemming from a voluntary decrease in some liabilities outside of customers' deposits. Those results are in line with Management's strategic orientations favouring a consolidation mode in main markets of presence while maintaining the network ready to capture growth opportunities as soon as they arise. In parallel, assets under management, encompassing fiduciary deposits, custody accounts and assets under management, increased from US\$ 10.8 billion as at end-December 2016 to US\$ 11.7 billion as at end-June 2017. When adding letters of credit, letters of guarantees and assets under management to consolidated assets, the Bank's consolidated footings would reach US\$ 67.5 billion, of which 53% from entities outside Lebanon. The latter sustains Bank Audi's ranking among the top 20 Arab banking groups.

- In parallel, consolidated customers' deposits rose from US\$ 36 billion at end-December 2016 to US\$ 36.3 billion at end-June 2017, of which 38% from entities outside Lebanon. Similarly, consolidated net loans increased from US\$ 17.2 billion to US\$ 17.6 billion over the same period, of which 64% from entities outside Lebanon, translating into a loans to deposits ratio of 48.6% as at end-June 2017.
- At end-June 2017, consolidated shareholders' equity increased to US\$ 3.8 billion, of which US\$ 3 billion of core common shareholders' equity. Subsequently, the Bank's capital adequacy ratio as per Basel III stood at 14.8% at end-December 2016 to 15.2% at end-June 2017, while core equity ratio (CET1) increased from 9.1% to 9.7% over the same period.
- Despite the weakening and uncertain regional environment, gross doubtful loans continued to represent 3.3% of gross loans at end-June 2017, a level considered adequate when compared to the sector averages in the MENA region (3.6%), emerging markets (7.2%) and the world (7.4%). In the first half of 2017, General Management allocated US\$ 71 million of consolidated loan loss provisions, whereby the coverage ratio of doubtful loans by specific provisions and real guarantees reached 108% at end-June 2017. Over and above the specific provisions, collective provisions as per BDL's requirements amounted to US\$ 411 million.
- The ratio of primary liquidity placed with central banks and foreign banks to customers' deposits sustained its high level when compared to regional and global averages, recording 56.3%.
- Bank Audi's consolidated net earnings after provisions and taxes reached US\$ 308 million in the first half of 2017, of which US\$ 95 million of non-recurrent profits arising from the sale of the Card and Electronic Payment processing and acquiring activities, which the Bank announced in the first quarter 2017. Excluding those exceptional net profits, Bank Audi would be achieving in the first half of 2017 net profits of US\$ 213 million as compared to US\$ 202 million in the corresponding period of 2016. This growth stems primarily from Odea Bank and the Private Banking entities, while Lebanese entities sustained the same net profits as in the corresponding period of last year. In parallel, the contribution of Bank Audi Egypt to consolidated net profits decreased because of the translation effect of those profits at the consolidation level following the depreciation of the Egyptian Pound relative to the US Dollar. Based on such results and excluding profits for the sale of the Card and Electronic Payment processing and acquiring activities, the Bank's return on average assets ratio reached 1%, while the return on average common equity registered 13%.

In conclusion, the Bank's results for the first half of 2017 bear witness to the good performance registered by the Group which confirms its strategic choices and orientations aiming at an integrated and diversified growth across main development pillars, namely Lebanon, Turkey, Egypt and the Private Banking entities. The importance of those results lies in the fact that they were realized within a local and regional environment characterized by continued cloudiness and uncertainty, underscoring that the Group enjoys a high level of resilience. The Bank continues to be committed to provide innovative universal banking products and services, offered to 1.2 million of individual and corporate customers served through a network of 206 branches and a staff count of circa 7 thousand employees.

Among Top Regional Banking Groups

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

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2017

Bank Audi

consolidated activity highlights

IN US DOLLARS

AT END-JUNE 2017

AMONG TOP REGIONAL BANKING GROUPS

USD 44 billion in total assets as at 30/6/2017

of which 41% from entities outside Lebanon

Consolidated Activity Highlights as at End-June 2017

- USD 36.3 billion of total customers' deposits
- USD 17.6 billion of total loans to customers
- USD 3.8 billion of total shareholders' equity
- USD 308 million of net profits in the first half of 2017, and USD 213 million excluding net profits from the sale of the Card and Electronic Payment processing and acquiring activities

Main Financial Indicators

- 56.3% of primary liquidity to customers' deposits ratio
- 15.2% of capital adequacy ratio as per Basel III, of which 9.7% of Common Equity Tier 1 ratio
- 3.3% of gross doubtful loans to gross loans ratio, covered up to 108% by specific provisions and real guarantees
- USD 411 million of collective provisions, in addition to the above specific provisions
- 13.0% of return on average common equity, excluding net profits from the sale of the Card and Electronic Payment processing and acquiring activities

ODEA BANK, THE SUBSIDIARY IN TURKEY, WAS GRANTED A Ba3 RATING FROM MOODY'S AND A BB- RATING FROM FITCH, HIGHER BY 2 TO 3 NOTCHES THAN THE RATING OF THE LARGEST LEBANESE BANKING GROUPS

A UNIVERSAL AND INNOVATIVE BANKING OFFERING

1.2 MILLION CUSTOMERS SERVED THROUGH 206 BRANCHES AND 7 THOUSAND EMPLOYEES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/6/2017 USD Thousands	31/12/2016 USD Thousands
ASSETS		
Cash and balances with central banks	11,942,356	12,371,872
Due from banks and financial institutions	1,638,993	2,008,111
Loans to banks and financial institutions and reverse repurchase agreements	651,213	1,372,348
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	247,184	258,798
Shares and participations at fair value through profit and loss	39,011	48,837
Debt instruments and other similar financial assets at fair value through profit and loss	924,137	411,007
Of which: net loans and advances at fair value through profit and loss	31,625	14,526
Net loans and advances to customers at amortised cost ⁽¹⁾	17,505,585	17,069,485
Net loans and advances to related parties at amortised cost ⁽²⁾	128,502	145,402
Debtors by acceptances	125,659	132,110
Debt instruments classified at amortised cost ⁽³⁾	9,372,633	9,280,312
Shares and participations at fair value through other comprehensive income	133,590	128,655
Investments in associates	89,275	8,844
Assets taken in settlement of debts	73,925	53,749
Property and equipment	586,736	584,743
Intangible fixed assets	39,688	42,866
Non-current assets held for sale	-	-
Other assets	343,398	321,921
Goodwill	29,366	27,746
TOTAL ASSETS	43,871,251	44,266,806

⁽¹⁾ After deduction of provisions amounting to USD 728 million from loans and advances to customers as per IAS 39, of which USD 411 million representing provisions on collective assessment.

⁽²⁾ Loans granted to related parties against cash collateral amounted to USD 100 million.

⁽³⁾ Includes an amount of USD 331 million with risk ceded to customers.

	30/6/2017 USD Thousands	31/12/2016 USD Thousands
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	510,647	431,122
- Financing commitments given to customers	3,353,684	3,183,788
Bank guarantees		
- Guarantees given to banks and financial institutions	164,580	181,707
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	653,642	1,355,463
Of which: credit derivatives	-	-
- Guarantees given to customers	1,598,296	1,666,343
- Guarantees received from customers	25,173,281	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	8,440,396	6,800,492
- Foreign currencies to deliver	8,495,346	6,850,489
Commitments on term financial instruments	9,615,706	8,415,560
Other commitments		
Claims from legal cases	-	-
Fiduciary accounts		
- Under specific instructions	2,400,927	2,260,588
- Under discretionary investments	2,376,485	2,193,732
	24,442	66,856
Assets under management	9,221,184	8,397,415
Mutual funds	54,263	173,041
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	1,652	122,050

	30/6/2017 USD Thousands	31/12/2016 USD Thousands
LIABILITIES		
Due to central banks	666,567	1,332,115
Due to banks and financial institutions and repurchase agreement	1,632,234	1,707,466
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	155,487	181,063
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	35,761,492	35,415,733
Deposits from related parties	555,154	539,667
Debt issued and other borrowed funds	28,557	-
Engagements by acceptances	125,659	132,110
Other liabilities	398,753	510,503
Provisions for risks and charges	85,580	103,875
Subordinated loans and similar debts	639,926	645,794
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	40,049,409	40,568,326
Shareholders' Equity - Group share		
Share capital - Common shares	439,128	439,128
Share capital - Preferred shares	6,866	6,866
Issue premium - Common shares	586,124	586,124
Issue premium - Preferred shares	618,134	618,134
Subsidiary shares warrants	8,377	8,377
Share capital and cash contribution to capital	48,150	48,150
Non-distributable reserves	1,052,835	965,931
Distributable reserves	414,299	414,263
Treasury shares	(60,843)	(62,372)
Retained earnings	732,465	580,593
Proposed dividends	-	-
Revaluation reserve of real estate	237,996	237,952
Reserve on revaluation of financial assets at fair value through other comprehensive income	25,278	21,330
Remeasurement actuarial (gain)/Loss on defined benefit plan	(2,821)	(2,821)
Share of associates' other comprehensive income under equity method	3,016	3,016
Foreign currency translation reserve	(774,427)	(800,177)
Net (loss) gain on hedge of net investments in foreign entities	(25,350)	(38,284)
Result of the period	297,982	445,834
Shareholders' equity - Group share	3,607,209	3,472,044
Non-controlling interest	214,633	226,436
Total shareholders' equity	3,821,842	3,698,480
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	43,871,251	44,266,806



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/6/2017 USD Thousands	30/6/2016 USD Thousands
Interest and similar income	1,368,585	1,261,019
Interest and similar expense	(834,188)	(766,248)
Net interest margin	534,397	494,771
Fee and commission income	157,451	163,743
Fee and commission expense	(30,689)	(36,028)
Net fee and commission income	126,762	127,715
Net gain on financial assets or liabilities at fair value through profit and loss	26,345	66,902
Of which: interest income	18,756	16,994
Net gain on financial investments	15,358	79,937
Other operating income	31,561	17,843
Total operating income	734,423	787,168
Net provisions for credit losses	(71,470)	(98,152)
Net operating income	662,953	689,016
Personnel expenses	(217,694)	(233,637)
Other operating expenses	(144,305)	(162,423)
Depreciation of property and equipment	(24,468)	(25,467)
Amortisation of intangible assets	(7,710)	(11,411)
Impairment on goodwill and investments	-	-
Total of operating expenses	(394,177)	(432,938)
Operating profit	268,776	256,078
Share of profit of associates under equity method	1,079	574
Net gain (loss) on disposal of other asset	552	(41)
Profit before tax	270,407	256,611
Income tax	(57,646)	(54,578)
Profit after tax	212,761	202,033
Result of discontinued operations, net of tax	95,293	23,622
Profit for the period	308,054	225,655
Minority share profit for the period	10,072	12,039
Group share profit for the period	297,982	213,616
Basic earnings per share USD	0.73	0.51
Basic earnings per share from continuing operations USD	0.48	0.48

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2017

Bank Audi

consolidated activity highlights

IN LEBANESE POUNDS
AT END-JUNE 2017

AMONG TOP REGIONAL BANKING GROUPS

LBP 66,136 billion in total assets as at 30/6/2017

of which 41% from entities outside Lebanon

Consolidated Activity Highlights as at End-June 2017

- LBP 54,747 billion of total customers' deposits
- LBP 26,583 billion of total loans to customers
- LBP 5,761 billion of total shareholders' equity
- LBP 464 billion of net profits in the first half of 2017, and USD 321 billion excluding net profits from the sale of the Card and Electronic Payment processing and acquiring activities

Main Financial Indicators

- 56.3% of primary liquidity to customers' deposits ratio
- 15.2% of capital adequacy ratio as per Basel III, of which 9.7% of Common Equity Tier 1 ratio
- 3.3% of gross doubtful loans to gross loans ratio, covered up to 108% by specific provisions and real guarantees
- LBP 620 billion of collective provisions, in addition to the above specific provisions
- 13.0% of return on average common equity, excluding net profits from the sale of the Card and Electronic Payment processing and acquiring activities

ODEA BANK, THE SUBSIDIARY IN TURKEY, WAS GRANTED A Ba3 RATING FROM MOODY'S AND A BB- RATING FROM FITCH, HIGHER BY 2 TO 3 NOTCHES THAN THE RATING OF THE LARGEST LEBANESE BANKING GROUPS

A UNIVERSAL AND INNOVATIVE BANKING OFFERING
1.2 MILLION CUSTOMERS SERVED THROUGH 206 BRANCHES AND 7 THOUSAND EMPLOYEES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/6/2017 LBP Million	31/12/2016 LBP Million
ASSETS		
Cash and balances with central banks	18,003,102	18,650,596
Due from banks and financial institutions	2,470,781	3,027,228
Loans to banks and financial institutions and reverse repurchase agreements	981,704	2,068,815
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	372,630	390,138
Shares and participations at fair value through profit and loss	58,810	73,621
Debt instruments and other similar financial assets at fair value through profit and loss	1,393,137	619,593
Of which: net loans and advances at fair value through profit and loss	47,675	21,898
Net loans and advances to customers at amortised cost ⁽¹⁾	26,389,669	25,732,247
Net loans and advances to related parties at amortised cost ⁽²⁾	193,717	219,193
Debtors by acceptances	189,431	199,156
Debt instruments classified at amortised cost ⁽³⁾	14,129,244	13,990,070
Shares and participations at fair value through other comprehensive income	201,387	193,948
Investments in associates	134,582	13,333
Assets taken in settlement of debts	111,443	81,027
Property and equipment	884,504	881,501
Intangible fixed assets	59,830	64,621
Non-current assets held for sale	-	-
Other assets	517,671	485,295
Goodwill	44,269	41,827
TOTAL ASSETS	66,135,911	66,732,209

⁽¹⁾ After deduction of provisions amounting to LBP 1,099 billion from loans and advances to customers as per IAS 39, of which LBP 620 billion representing provisions on collective assessment.

⁽²⁾ Loans granted to related parties against cash collateral amounted to LBP 151 billion.

⁽³⁾ Includes an amount of LBP 499 billion with risk ceded to customers.

	30/6/2017 LBP Million	31/12/2016 LBP Million
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	769,801	649,916
- Financing commitments given to customers	5,055,678	4,799,560
Bank guarantees		
- Guarantees given to banks and financial institutions	248,105	273,923
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	985,365	2,043,361
Of which: credit derivatives	-	-
- Guarantees given to customers	2,409,431	2,512,013
- Guarantees received from customers	37,948,721	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	12,723,896	10,251,741
- Foreign currencies to deliver	12,806,734	10,327,110
Commitments on term financial instruments	14,495,676	12,686,455
Other commitments		
Claims from legal cases	-	-
Fiduciary accounts	3,619,396	3,407,836
- Under specific instructions	3,582,550	3,307,051
- Under discretionary investments	36,846	100,785
Assets under management	13,900,935	12,659,104
Mutual funds	81,802	260,859
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	2,490	183,991

	30/6/2017 LBP Million	31/12/2016 LBP Million
LIABILITIES		
Due to central banks	1,004,851	2,008,163
Due to banks and financial institutions and repurchase agreement	2,460,593	2,574,005
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	234,396	272,952
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	53,910,449	53,389,218
Deposits from related parties	836,895	813,548
Debt issued and other borrowed funds	43,050	-
Engagements by acceptances	189,431	199,156
Other liabilities	601,119	769,582
Provisions for risks and charges	129,012	156,592
Subordinated loans and similar debts	964,689	973,535
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	60,374,485	61,156,751
Shareholders' Equity - Group share		
Share capital - Common shares	661,985	661,985
Share capital - Preferred shares	10,350	10,350
Issue premium - Common shares	883,582	883,582
Issue premium - Preferred shares	931,837	931,837
Subsidiary shares warrants	12,629	12,629
Share capital and cash contribution to capital	72,586	72,586
Non-distributable reserves	1,587,150	1,456,141
Distributable reserves	624,555	624,501
Treasury shares	(91,721)	(94,026)
Retained earnings	1,104,192	875,244
Proposed dividends	-	-
Revaluation reserve of real estate	358,779	358,713
Reserve on revaluation of financial assets at fair value through other comprehensive income	38,107	32,154
Remeasurement actuarial (gain)/Loss on defined benefit plan	(4,254)	(4,254)
Share of associates' other comprehensive income under equity method	4,546	4,546
Foreign currency translation reserve	(1,167,448)	(1,206,264)
Net (loss) gain on hedge of net investments in foreign entities	(38,216)	(57,713)
Result of the period	449,208	672,095
Shareholders' equity - Group share	5,437,867	5,234,106
Non-controlling interest	323,559	341,352
Total shareholders' equity	5,761,426	5,575,458
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	66,135,911	66,732,209



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/6/2017 LBP Million	30/6/2016 LBP Million
Interest and similar income	2,063,142	1,900,986
Interest and similar expense	(1,257,538)	(1,155,120)
Net interest margin	805,604	745,866
Fee and commission income	237,357	246,845
Fee and commission expense	(46,264)	(54,312)
Net fee and commission income	191,093	192,533
Net gain on financial assets or liabilities at fair value through profit and loss	39,716	100,854
Of which: interest income	28,275	25,619
Net gain on financial investments	23,153	120,505
Other operating income	47,578	26,900
Total operating income	1,107,144	1,186,658
Net provisions for credit losses	(107,741)	(147,965)
Net operating income	999,403	1,038,693
Personnel expenses	(328,174)	(352,207)
Other operating expenses	(217,540)	(244,852)
Depreciation of property and equipment	(36,885)	(38,392)
Amortisation of intangible assets	(11,623)	(17,202)
Impairment on goodwill and investments	-	-
Total of operating expenses	(594,222)	(652,653)
Operating profit	405,181	386,040
Share of profit of associates under equity method	1,627	866
Net gain (loss) on disposal of other asset	833	(62)
Profit before tax	407,641	386,844
Income tax	(86,902)	(82,278)
Profit after tax	320,739	304,566
Result of discontinued operations, net of tax	143,654	35,610
Profit for the period	464,393	340,176
Minority share profit for the period	15,185	18,149
Group share profit for the period	449,208	322,027
Basic earnings per share LBP	1,093	763
Basic earnings per share from continuing operations LBP	724	719

HEADQUARTERS

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DOMESTIC PRESENCE

- AUDI INVESTMENT BANK sal
- AUDI PRIVATE BANK sal
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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

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