

Press Release

Bank Audi Consolidated Activity Highlights as at End-December 2015

Beirut, January 28, 2016

- **US\$ 42.3 billion of assets**, of which 49% from entities outside Lebanon and 33% booked in investment grade countries
- **US\$ 35.6 billion of customers' deposits**, of which 45% from entities outside Lebanon
- **US\$ 17.9 billion of loans to customers**, of which 65% from entities outside Lebanon
- **US\$ 3.3 billion of shareholders' equity**, of which 88% of core common shareholders' equity
- **US\$ 403 million of net profits in 2015**, growing by 15.1% relative to the corresponding period of 2014, of which 44% from entities outside Lebanon

The domestic economic scene was at the image of domestic political uncertainties amid broad regional conflicts. The real economy reported one of its worst years in more than a decade, with most real sector indicators contracting or reporting mild growth. Domestic demand was sluggish, mainly in its private and public investment components, adding to a contracting foreign demand as witnessed by forgone exports. Within the context of a net contraction of financial inflows, the balance of payments reported a record high deficit of US\$ 3 billion in the first 11 months of 2015, mainly due to the increase in the deposits of non-residents. Notwithstanding, a modest growth in deposits was reported, estimated at US\$ 5.4 billion year-to-November, against US\$ 6.5 billion over the previous year's corresponding, though still somehow sufficient to meet the borrowing needs of the economy in its private and public sector components.

The regional economic scene was dominated by geopolitical and oil price developments. Regional uncertainties arising from the complex conflicts in a number of countries of the region have been weighing on overall confidence, while low oil prices have been taking a toll on economic activity. Overall, MENA growth last year was estimated to be modest at 2.3% in 2015 according to IMF estimates. In particular in Egypt, which is a main MENA market of presence for Bank Audi, the economy has considerably recovered after four years of slow activity, with growth estimated at 4.2% over the past year, matched with a double-digit growth in banking aggregates. In Turkey, the other market of presence, macro-economic conditions remained stable despite the volatility within a slight improvement in prospects following the results of the parliamentary elections last October. The Turkish economy recorded a real growth of more than 3% during 2015, driving a double-digit growth in the banking sector's activity.

Within this context, Bank Audi achieved a favorable performance in most of its entities in 2015 within continued control on risk and costs as a precautionary measure against any potential adverse evolutions. Subsequently, Bank Audi registered a growth in its consolidated net earnings after provisions and taxes by 15.1%, reaching US\$ 403 million, as compared to US\$ 350 million in 2014. This performance stemmed in particular from the reinforcement of the earnings generation capacity in the main development pillars of the Group, mainly in Lebanon, Turkey, Egypt and private banking entities. This follows the allocation of US\$ 133 million of net loan loss provision charges, strengthening the Bank's asset quality. In parallel, consolidated assets of Bank Audi increased by 0.7% in 2015, and by 5.1% after adjusting for the negative impact of the depreciation of both the Egyptian pound and the Turkish lira.

In details:

- Consolidated assets of Bank Audi recorded a nominal increase of US\$ 311 million in 2015, reaching a total of US\$ 42.3 billion at end-December 2015 and US\$ 52.1 billion when accounting for fiduciary deposits, security accounts and assets under management. When adjusting to the depreciation of the exchange rates of both the Turkish lira and the Egyptian pound relative to the US dollar of respectively 25.6% and 9.5% in 2015, consolidated assets of Bank Audi would have increased by US\$ 2.1 billion, due to the nominal growth in assets of the Bank's entities in Turkey and Egypt by US\$ 1.3 billion and US\$ 0.8 billion respectively, with assets of Lebanese entities increasing slightly by US\$ 243 million. Based on the above, the contribution of entities outside Lebanon to consolidated assets increased from 48.1% as at end-December 2014 to 48.6% as at end-December 2015, while the share of assets booked in investment grade countries reached 33.3%, an unprecedented level among Lebanese banking groups.

- In parallel, consolidated customers' deposits sustained the same level during 2015, reaching US\$ 35.6 billion at end-December 2015, of which 45.1% from entities outside Lebanon. When adjusting on the basis of constant exchange rates for both Turkish lira and Egyptian pound as at end-December 2014, consolidated deposits would have increased by US\$ 1.1 billion, corresponding to a growth of 3%, deemed a good performance given the weak 0.8% deposits growth in the region following the sharp deterioration of oil prices.
- Consolidated shareholders' equity reached US\$ 3.29 billion at end-December 2015, accounting for 18% of the total shareholders' equity in the Lebanese banking sector. In parallel, Bank Audi's regulatory capital reached US\$ 3.35 billion, reinforcing of the Bank's capital adequacy ratio as per Basel III, to 13.4%.
- The consolidated loan portfolio sustained its growth over the period registering a nominal growth of 4.5% (equivalent to a nominal increase of US\$ 772 million) reaching 10.5% in real terms when adjusting on the basis of constant exchange rates for Turkish lira and Egyptian pound as at end-December 2014, corresponding to a real increase of US\$ 1.8 billion, mainly stemmed from the entities in Lebanon, Turkey and Egypt. This increase was achieved within a reinforcement of the Bank's loan quality through the allocation of US\$ 133 million of consolidated net loan loss provision charges during 2015. Subsequently, loan loss reserves on doubtful loans reached US\$ 371 million, translating into a coverage ratio of 68.4% at end-December 2015. In parallel, collective provisions reached US\$ 162 million, representing 0.9% of net loans, while the ratio of net doubtful loans to gross loans improved from 3.05% at end-December 2014 to 2.94% at end December 2015. Still, the ratio of gross doubtful loans to gross loans of Bank Audi remains low when compared to the sector averages in Lebanon (3.6%), the MENA region (3.9%), the emerging markets (6.9%) and the world (7.5%).
- Consolidated primary liquidity placed with central banks and foreign banks continued to increase, reaching US\$ 16.4 billion at end-December 2015, the equivalent of 46.1% of customers' deposits, a high level when compared to regional and global averages.
- Bank Audi's net earnings after provisions and taxes amounted to US\$ 403 million in 2015, as compared to US\$ 350 million in 2014, growing by 15.1% year-on-year. Entities outside Lebanon contributed up to 63.2% of the consolidated net earnings' growth, driving an increase in the share of these entities in consolidated net earnings from 41.6% in 2014 to 44.4% in 2015. The increase in net profits primarily stems from a US\$ 87.3 million increase in total revenues, corresponding to a growth of 6.6% exceeding the 4.8% growth in consolidated general operating expenses, equivalent to US\$ 35.2 million, translating into an improvement in overall efficiency.
- Based on such results, the Bank's return on average assets ratio improved from 0.9% in 2014 to 0.96% in 2015, while the return on average common equity maintained the same level as in 2014 of 13.63%, as a result of the full impact of the US\$ 300 million common equity increase at end-September 2014. In parallel, the Bank's common book value per share exceeded the US\$ 7 mark, reaching US\$ 7.14.

In conclusion, the Bank's results in 2015 confirm the Group's resilience, driven by diversified sources of assets and earnings which enable it to maintain its financial standing, to reinforce its leading positioning among top regional banking groups in a persisting challenging environment, and to add value to all stakeholders. In this context, beyond the financial aspect, Bank Audi is keen to develop and strengthen its engagement in corporate social responsibility (CSR). The Group's CSR activities extends to five core pillars: Corporate Governance which is at the heart of our decision-making process, Economic Development through job creation and financing of small businesses, Human Development, Community Development and Environmental protection.

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