Press Release

Bank Audi Consolidated Activity Highlights as at End-June 2016

Beirut, July 28, 2016

- **US$ 41.9 billion of assets,** of which 48% from entities outside Lebanon
- **US$ 35.0 billion of customers' deposits,** of which 44% from entities outside Lebanon
- **US$ 18.5 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$ 226 million of net profits in the first half of 2016,** growing by 11.7% relative to the corresponding period of 2015, and of which 51% from entities outside Lebanon

The Lebanese economy, which started the year with a net improvement in real sector indicators, has lost some steam in the second quarter which witnessed some additional pressures. According to the quarterly survey by Bloomberg, the Lebanese economy is now expected to grow by 1.7% in 2016, down from the 2.2% previous forecast, though still better than the 1% growth realized last year. In parallel, amidst a 6% decline in financial inflows to Lebanon over the first five months of 2015, although these stabilized at an average of US$ 1 billion per month, a level which compares well with regional averages, banking activity saw a retreat in its growth pace. Deposit grew in the first five months of 2016 by US$ 2.3 billion, as compared to US$ 3.5 billion in the corresponding period of 2015. Paradoxically, loans to the private sector have been growing at a higher pace than that of last year (US$ 1.3 billion in the first five months of 2016 relative to US$ 0.5 billion in the same period of 2015), thus providing a relative support to banks spreads and earnings.

At the regional level, low oil prices and deepening conflicts continue to weigh on economic activity in the MENA region. For oil importers in particular, political and economic pressures persist, and adverse spillovers from regional conflicts – including economic pressures from hosting refugees – and, more recently, slowdowns in the GCC, impacted negatively the macro performance and outlook. In Egypt, while economic prospects remain favourable on the overall, monetary and price pressures increasingly impact the macro picture, as core inflation hit a 7-year high of 12.4% in June, within the context of the recent widening of the spread between the official and the black market exchange rates to more than 20%. In Turkey, although recent developments might entail adverse repercussions on capital inflows and touristic spending, financial and macro implications are mostly manageable in an economy relying to the extent of 80% on domestic demand and which had shown resilience to the recent markets evolutions.

Despite the persisting challenging environment both domestically and regionally, Bank Audi achieved a favourable performance in the first half of 2016, driven by the diversification of sources of assets and net profits growth. The Group reported a growth in consolidated net profits of 11.7% in this year's first half relative the corresponding period of last year, rising from US$ 202 million to US$ 226 million. This growth resulted in particular from the reinforcement of the earnings generation capacity of entities operating in Egypt and Turkey in line with the adopted strategic plan, translating in a decrease in the share of Lebanese entities in consolidated net profits to 49%, whereby the contribution of entities abroad reached 51%. This performance was realized after the allocation of US$ 98 million of net loan loss provision charges, reinforcing loan quality. Within stable consolidated assets at their end-2015 level, General Management continued to adopt a conservative strategy aiming at further reinforcing the financial standing of the Group in the face of the impact of accumulating challenges in number of countries of presence.

In details:

- Consolidated assets of Bank Audi reached US$ 41.9 billion at end-June 2016, of which 48% for entities outside Lebanon and US$ 51.7 billion when accounting for assets under management, fiduciary deposits and custody accounts. Consolidated assets reported a slight contraction by 0.8% in the first half of 2016, corresponding to a decrease of US$ 333 million, resulting in particular from the negative impact of the 11.8% devaluation of the Egyptian pound (official rate) against the US dollar reported over the same period. In nominal terms, Bank Audi Egypt has had a negative contribution to the increase of consolidated assets reaching US$ 178 million, whereas its assets grew in real terms by 6.4%, corresponding to a real increase of US$ 308 million. At the level of the other main development pillars of the Group, in particular Lebanon and Egypt, Lebanese entities reported a limited asset growth while assets of Odea Bank contracted by US$ 324 million as a result of Management's voluntary decision to slow down growth while focusing on margin enhancement.

- In line with consolidated assets, consolidated deposits of Bank Audi decreased by US$ 616 million in the first half of 2016 (of which US$ 420 million accounted for by the negative impact of the devaluation of the Egyptian pound) to US$ 35 billion at end-June 2016, of which 44% from entities outside Lebanon. In parallel, consolidated net loans grew in nominal terms by 3% (as compared to 4.3% in real terms after adjusting to the exchange rates movement of the currencies of the countries of presence against the US dollar) to US$ 18.5 billion, of which 65% from entities outside Lebanon.

- Lending growth was coupled with a strengthening of the lending portfolio quality through the allocation of additional net loan loss provisions worth US$ 98 million during the first half of 2016, a large part of it in the form of collective provisions. Total collective provisions reached US$ 195 million at end-June 2016, the equivalent of 1.1% of the consolidated net loans portfolio, while specific loan loss reserves stood at US$ 416 million, translating in an increase in the coverage of doubtful loans by specific provisions to 71.3%. In parallel, the gross doubtful loans to gross loans ratio reached 3.06% at end-June 2016, a level considered low when compared to the sector averages in Lebanon (3.6%), the MENA region (3.6%), the emerging markets (6.8%) and the world (7.1%). Subsequently, the net doubtful loans to gross loans ratio improved to a mere 0.88%.

- Within this context, General Management proceeded also to further strengthen the Bank's liquidity and solvency measures with consolidated primary liquidity placed with central banks and foreign banks increasing to US$ 16.1 billion, the equivalent of 45.9% of customers' deposits, a high level when compared to regional and global averages, while the Bank's capital adequacy ratio as per Basel III continued to improve, reaching 13.9% at end-June 2016, as compared to a 12% minimum regulatory requirement, as consolidated shareholders' equity of Bank Audi reached US$ 3.3 billion at the same date, 88% of which core common shareholders' equity.

- Bank Audi's consolidated net earnings after provisions and taxes increased by US$ 24 million in the first half of 2015 relative to the corresponding period of last year, thus reaching US$ 226 million, growing by 11.7% year-on-year. This growth resulted in particular from the reinforcement of the earnings generation capacity of entities operating in Egypt and Turkey in line with adopted strategic plan, within an adequate increase in profits of Lebanese entities. The contribution of the entities outside Lebanon to consolidated net earnings increased from 48% in the first half of 2015 to 51% in the same period of 2016. Based on such results, the Bank's return on average assets ratio improved from 0.96% in 2015 to 1.09% in the first half of 2016, while the return on average common equity improved from 13.63% in 2015 to 14.9% in the first half of 2016, a level in line with the average of peer banks in the region and in line with the Group's weighted average cost of equity. In parallel, the Bank's common earnings per share rose to US$ 1.02 on an annualized basis, while its common book value per share increased to US$ 7.09 at end-June 2016.

In conclusion, the Bank's results in the first half of 2016 confirm the Group's ability to achieve its strategic objectives in spite of the accumulation of political and economic pressures regionally and globally. In reaching those goals, the Group relies on the breadth of its expansion and financial flexibility that makes Bank Audi one of the most diversified groups by activity among the largest regional banking groups. In addition, the Bank is keen to adopt internal procedures that comply with best international practices, particularly in terms of risk management systems, compliance and corporate governance.

Universal Banking Services through 12 Banks and 3 Financial Companies in 13 Countries

LEBANON │ SWITZERLAND │ FRANCE │ JORDAN │SYRIA │ EGYPT│ SUDAN │ KINGDOM OF SAUDI ARABIA │ QATAR │ MONACO│ TURKEY │IRAQ│ REPRESENTATIVE OFFICE IN ABU DHABI

For more information:
Dr. Freddie C. Baz — **Tel: +961 1 977 477**
General Manager – Group Strategy Director — **Email: Freddie.baz@banqueaudi.com**

Stay connected:
www.bankaudigroup.com
www.facebook.com/BankAudiLebanon
www.youtube.com/BankAudiGroup
Investor Relations application