

## *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 2016. 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**

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