Press Release

Bank Audi Consolidated Activity Highlights as at End-March 2016

Beirut, April 21, 2016

- **US$ 41.0 billion of assets,** of which 48% from entities outside Lebanon and 33% booked in investment grade countries
- **US$ 34.2 billion of customers' deposits,** of which 44% from entities outside Lebanon
- **US$ 18.1 billion of loans to customers,** of which 65% from entities outside Lebanon
- **US$ 3.4 billion of shareholders' equity,** of which 89% of core common shareholders' equity
- **US$ 110 million of net profits in the first quarter of 2016,** growing by 10.1% relative to the corresponding period of 2015, of which 54% from entities outside Lebanon

Lebanon's real economy witnessed a slight improvement in the first quarter of 2016, yet from a low base in the 2015 corresponding period, suggesting the economy is still in a sluggish stance. As a matter of fact, most real sector indicators reported positive albeit limited growth in the first quarter of this year mostly driven by a sound consumption behavior yet within the context of a sluggish investment environment. In parallel, Lebanon's banking activity, measured by the growth of banking aggregates reported in the first 2 months of 2016, a limited growth in assets and loans within a slight contraction in deposits despite an increase in financial inflows by more than 20% over the first 2 months of 2016 relative to the corresponding period of 2015.

Economic conditions across the MENA region have weakened considerably because of further declines in oil prices and intensifying conflicts and security risks. Real GDP growth in the overall region is projected at a mere 2.9% percent in 2016 according to the IMF. In parallel, the regional banking sector remains at the main image of a volatile economic environment, with MENA bank assets and deposits reporting negative growth in the first two months of the year. In the countries of presence of Bank Audi, in particular in Turkey, the second most important market after Lebanon, where the newly released national accounts for 2015 indicated that the economy expanded by 4%, early indicators for the first quarter of 2016 point to a resilience of the real sector. The latter along with a net appreciation of the Turkish Pound and declining inflation could lead to an improvement in Banks' operating conditions. In Egypt, the other market of presence of the Group, the Central Bank devalued the national currency by 13.4%, in an aim to ease an acute dollar shortage that is hurting the economy and to enhance the efficiency of the domestic economy. Those measures are expected to ease the market atmosphere in Egypt in the foreseeable future.

Within this context, Bank Audi achieved a favourable performance in the first quarter of 2016 in line with the set targets whereby consolidated net earnings reported a growth of 10.1% relative to the corresponding period of last year, rising to US$ 110 million, broken down over 46% in Lebanese entities and 54% in entities outside Lebanon. This performance was reached after the allocation of US$ 34 million of net loan loss provision charges while General Management continued to adopt a conservative strategy translating into a further reinforcement of the Group's financial standing, as witnessed by a 44.4% primary liquidity to customers' deposits ratio, a 3.1% NPL ratio, a 13.7% capital adequacy ratio and a 14.3% return on average common equity.

In details:

- In line with the performances of regional banks, consolidated assets of Bank Audi registered a contraction of 3% in the first quarter of 2016, corresponding to a decrease of US$ 1.2 billion. This was achieved within the context of a devaluation of the Egyptian Pound against the US Dollar by 13.4% over the same period, impacting negatively consolidated assets by US$ 433 million. Based on the above, Bank Audi's consolidated assets reached US$ 41 billion at end-March 2016, and US$ 61 billion when accounting for off-balance sheet accounts, of which 58.2% from entities outside Lebanon. The latter makes of Bank Audi one of the most diversified groups by activity among the largest regional banking groups. On the other hand, the contribution of the entities operating in investment grade countries in total assets reached 33%.

- Consolidated customers' deposits amounted to US$ 34.2 billion at end-March 2016, of which 43.6% from entities outside Lebanon. In parallel, consolidated net loans increased to US$ 18.1 billion, of which 64.8% from entities outside Lebanon, translating into an enhancement of the loans to deposits ratio, from 50.3% at end-December 2015 to 52.8% at end-March 2016.

- Consolidated shareholders' equity increased to US$ 3.4 billion at end-March 2016, of which 89% of core common shareholders' equity. Subsequently, the Bank's capital adequacy ratio as per Basel III improved from 13.4% at end-December 2015 to 13.7% at end-March 2016.

- Despite the weakening and uncertain regional environment, gross doubtful loans continued to represent 3.05% only of gross loans at end-March 2016, a level considered low when compared to the sector averages in Lebanon (3.6%), the MENA region (3.9%), the emerging markets (6.3%) and the world (7.4%). Accordingly, net doubtful loans represented 0.88% only of gross loans at the same date, after the allocation by General Management of US$ 34 million of net loan loss provision charges in the first quarter of 2016, whereby the coverage ratio of those loans by specific provisions increased to 71.3% at end-March 2016, before real guarantees. On the other hand, collective provisions to consolidated net loans ratio continued to stand at 0.9%, the same level as at end-December 2015.

- 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 44.4%.

- Bank Audi's consolidated net earnings after provisions and taxes reached US$ 110 million in the first quarter of 2016, as compared to US$ 100 million in the corresponding period of 2015, growing by 10.1%. The contribution of the entities outside Lebanon to consolidated net earnings increased from 52% in the first quarter of 2015 to 54% 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 1.06% in the first quarter of 2016, while the return on average common equity improved from 13.63% in 2015 to 14.3% in the first quarter 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$ 0.96 on an annualized basis, while its common book value per share increased to US$ 7.35 at end-March 2016.

In conclusion, the Bank's results in the first quarter of 2016 confirm the Group's ability to sustain its distinguished positioning among top regional banking groups and its good financial standing in spite of adverse regional developments, allowing it to safeguard the interests of depositors and shareholders alike. The Bank continues to be committed to provide innovative universal banking products and services in order to fulfill the needs of individual and corporate customers in the Middle East and North Africa region and in Turkey.

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