Press Release

Bank Audi Consolidated Activity Highlights as at End-December 2016

Beirut, January 30, 2017

- **US$ 44.4 billion of assets**
- **US$ 36.0 billion of customers' deposits**
- **US$ 17.3 billion of loans to customers**
- **US$ 3.8 billion of shareholders' equity**
- **US$ 470 million of net profits in 2016,** growing by 17% relative to 2015

The year 2016 was difficult for the entire Middle East and North Africa region. It was characterized by a deceleration of financial inflows, which impacted domestic liquidity, mostly in foreign currencies in a large number of countries, affecting their balance of payments and external positions, and putting pressure on exchange rates and interest rates.

In order to contain the unfavourable developments, monetary authorities of several countries, including Egypt, Turkey and Lebanon, adopted pre-emptive measures, although with uneven results across those countries. In fact, Turkey and Egypt recorded depreciations of their currencies of 18% and 58% respectively in 2016. Nevertheless, their economies continued to register growth rates of 2.9% for Turkey and 3.8% for Egypt, translating into acceptable growth of the main banking aggregates.

Lebanon is the only country that managed to maintain the stability of its exchange, interest and inflation rates, preserving accordingly its monetary resilience.

Indeed, the financial engineering transactions launched by Banque du Liban last May enabled it to achieve the following key objectives: firstly, boost foreign exchange reserves to a current record high level of US$ 40.7 billion dollars; secondly, stimulate the growth of domestic deposits which reached US$ 7.6 billion in the first 11 months of 2016 against US$ 5.4 billion in the corresponding period of 2015; and thirdly and probably more importantly, turning the US$ 1.7 billion balance of payments deficit of the first half-year into a cumulative surplus of US$ 1.3 billion at the end of December 2016.

Within this context and despite the depreciation of the Egyptian Pound and the Turkish Lira versus the US Dollar, Bank Audi recorded a rather good performance in 2016. Consolidated net profits reached US$ 470 million dollars, rising by 17% relative to 2015. Net profit growth was supported by a corollary increase in consolidated assets, reaching US$ 44.4 billion at end-December 2016. At the current exchange rates, this corresponds to an assets' increase by US$ 2.2 billion relative to end-December 2015, i.e. a growth of 5.2%. Nonetheless, at constant exchange rate (as at end-December 2015), consolidated assets would have increased by US$ 6.3 billion, i.e. a growth of 14.9%, thereby justifying the growth in net profits.

It is worth noting that Bank Audi achieved in 2016 close to US$ 1 billion of exceptional non-recurring revenues as a result of its participation in the exchange transactions offered by the Central Bank of Lebanon for a limited period of time and with enticing conditions. As per Banque du Liban's directives (Intermediary Circular No. 446), Bank Audi used those exceptional revenues to allocate collective provisions, so as the total balance of collective provisions would represent 2% of risk-weighted loans, as well as other provisions for the impairment of goodwill in a number of entities. In addition, the Bank wrote off its investments in Syria and Sudan, which entails bearing impairments while realizing the related foreign currency translation losses which were already accounted for in common equity. The latter amounts are recorded in the consolidated financial statements under "results of discontinued operations, net of tax". In addition, as per the directive of the Central Bank, the Bank allocated the remainder of those exceptional revenues as follows: 70% as reserves for capital increase accounted for as Common Equity Tier 1 capital, and 30% as deferred liabilities accounted for as Tier 2 capital. Accordingly, those exceptional revenues did not impact at all the consolidated net profits achieved by the Group in 2016, subject of this release. Meanwhile, net profits of Bank Audi Egypt and Odea Bank in Turkey contributed significantly to the increase in consolidated net profits. The evolution of asset and loan quality ratios bear witness to the resilience of the loan books of those entities within the prevailing challenging political and economic environment in their countries of presence.

In details:

- Consolidated assets of Bank Audi increased in 2016, moving from US$ 42.2 billion at end-December 2015 to US$ 44.4 billion at end-December 2016, corresponding to an increase of US$ 2.2 billion, i.e. a growth of 5%. Accounting for assets under management, fiduciary deposits and custody accounts, consolidated assets would reach US$ 55.2 billion.

- In parallel, consolidated deposits rose from US$ 35.6 billion at end-December 2015 to US$ 36 billion at end-December 2016, corresponding to an increase of US$ 346 million, while consolidated net loans contracted by 2.9%, reaching US$ 17.3 billion at end-December 2016. There is no doubt that those performances were affected by the depreciation of the Egyptian Pound and the Turkish Lira, since on the basis of a constant exchange rate (as at end-December 2015), consolidated customers' deposits would have increased by US$ 3.6 billion (+10%) driven primarily by entities operating in Lebanon, while loans to customers would have increased by US$ 1.7 billion (+10%), driven by an increase in loans in entities operating in Lebanon, Turkey and Egypt.

- Lending growth was coupled with a strengthening of the lending portfolio quality, as management took US$ 313 million of net loan loss provision charges in 2016, of which US$ 178 million of it in the form of collective provisions taken in implementation of the Central Bank of Lebanon's directives. Subsequently, collective provisions reached US$ 290 million at end-December 2016, representing 2% of risk-weighted loans and 1.67% of net loans against 0.9% at end-December 2015. In parallel, gross doubtful loans represented 2.4% only of gross loans ratio while the coverage of those loans by specific provisions maintained its 68% level, rising to 102% when accounting for real guarantees. Subsequently, the net doubtful loans to gross loans ratio improved from 0.93% at end-December 2015 to a mere 0.8% at end-December 2016.

- Moreover, and as per the Central Bank's directives, the Bank used part of the exceptional revenues to impair goodwill in a number of entities for an amount of US$ 128 million and to write off its investments in Syria and Sudan for an amount of US$ 205 million, accounted for under "results of discontinued operations, net of tax", of which US$ 136 million of foreign currency translation losses already accounted for in common equity, which have therefore translated by a similar increase in Tier 1 capital.

- When adding to the above, at the level of regulatory capital, the positive impact of the capital increase of Odea Bank in Turkey in addition to the remainder of the exceptional revenue mentioned above and amounting net of tax to US$ 302 million and the recent issuance of Series I preferred shares for US$ 250 million, the Bank's consolidated capital adequacy ratio as per Basel III improved from 13.4% at end-December 2015 to US$ 15.3% at end-December 2016, of which 9.5% of Common Equity Tier 1 ratio, in spite of the adverse impact of the depreciation of Turkish Lira and the Egyptian Pound versus the US Dollar.

- In parallel, consolidated primary liquidity placed with central banks and foreign banks was further reinforced, increasing to US$ 21.8 billion, the equivalent of 60.5% of consolidated customers' deposits, a high level when compared to regional and global averages.

- Based on such results, the Bank's return on average assets ratio reached 1.1%, while the return on average common equity improved to 14.7%. In parallel, the Bank's common earnings per share rose to US$ 1.1, while its common book value per share increased to US$ 7.5 at end-December 2016.

In sum, the 2016 results confirm once again the high resilience of the Group in its capacity to withstand adverse developments in its markets of presence and to sustain favourable growth in activity and net profits parallel to the reinforcement of the Bank's fundamentals and of its financial flexibility. The Group is continuously looking to become more and more a privileged partner to customers in the Middle East and North Africa region and Turkey through the provision of a wide, universal and innovative bank offering mix at the service of individual and corporate customers.

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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AMONG TOP REGIONAL BANKING GROUPS

USD 44.4 billion in total assets as at 31/12/2016

consolidated activity highlights

IN US DOLLARS

AT END-DECEMBER 2016

Diversified Growth of Assets and Net Profits

- **USD 36.0 billion of total customers' deposits**
- **USD 17.3 billion of total loans to customers**
- **USD 3.8 billion of total shareholders' equity**
- **USD 470 million of net profits in 2016,** growing by **17%** relative to 2015

Resilient Asset Mix

- **60.5% of primary liquidity to customers' deposits ratio**
- **15.3% of capital adequacy ratio as per Basel III,** of which **9.5%** of Common Equity Tier 1 ratio
- **2.4% only of gross doubtful loans to gross loans ratio,** covered up to **102%** by specific provisions and real guarantees
- **Collective provisions reached USD 290 million,** corresponding to **2%** of risk-weighted loans
- **14.7% of return on average common equity,** with **USD 1.1** earnings per common share and **USD 7.5** common book value per share

A UNIVERSAL AND INNOVATIVE BANKING OFFERING AT THE SERVICE OF INDIVIDUAL AND CORPORATE CUSTOMERS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	31/12/2016 *USD Thousands*	31/12/2015 *USD Thousands*
ASSETS		
Cash and balances with central banks	12,371,872	9,124,326
Due from banks and financial institutions	2,008,111	1,793,802
Loans to banks and financial institutions and reverse repurchase agreements	1,372,348	1,715,126
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	258,798	176,360
Shares and participations at fair value through profit and loss	48,837	39,331
Debt instruments and other similar financial assets at fair value through profit and loss	411,007	215,211
Of which: net loans and advances at fair value through profit and loss	14,526	14,716
Net loans and advances to customers at amortised cost[1]	17,198,186	17,718,953
Net loans and advances to related parties at amortised cost[2]	145,402	142,321
Debtors by acceptances	132,110	159,605
Debt instruments classified at amortised cost[3]	9,280,312	9,807,346
Shares and participations at fair value through other comprehensive income	128,655	95,771
Investments in associates	8,844	9,280
Assets taken in settlement of debts	53,749	48,278
Property and equipment	584,743	639,097
Intangible fixed assets	42,866	67,240
Non-current assets held for sale	-	-
Other assets	321,921	312,110
Goodwill	27,746	138,928
TOTAL ASSETS	**44,395,507**	42,203,085

[1] After deduction of provisions amounting to USD 548 million from loans and advances to customers as per IAS 39, of which USD 290 million representing provisions on collective assessment.
[2] Loans granted to related parties against cash collateral amounted to USD 115 million.
[3] Includes an amount of USD 388 million with risk ceded to customers.

	31/12/2016 *USD Thousands*	31/12/2015 *USD Thousands*
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	431,122	363,728
- Financing commitments given to customers	3,183,788	3,464,297
Bank guarantees		
- Guarantees given to banks and financial institutions	181,707	153,873
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	1,355,463	1,727,121
Of which: credit derivatives	-	-
- Guarantees given to customers	1,666,343	1,686,950
- Guarantees received from customers	23,675,983	23,957,538
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	6,800,492	4,775,989
- Foreign currencies to deliver	6,850,489	4,786,598
Commitments on term financial instruments	**8,415,560**	6,367,982
Other commitments	-	-
Claims from legal cases	-	-
Fiduciary accounts	**2,260,588**	1,495,955
- Under specific instructions	2,193,732	1,302,813
- Under discretionary investments	66,856	193,142
Assets under management	**8,397,415**	8,082,929
Mutual funds	**173,041**	269,997
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	**122,050**	22,771

	31/12/2016 *USD Thousands*	31/12/2015 *USD Thousands*
LIABILITIES		
Due to central banks	1,331,417	378,014
Due to banks and financial institutions and repurchase agreement	1,708,164	1,552,614
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	181,063	87,031
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	35,415,733	35,151,248
Deposits from related parties	539,667	457,785
Debt issued and other borrowed funds	-	53,302
Engagements by acceptances	132,110	159,605
Other liabilities	549,113	316,094
Provisions for risks and charges	103,875	114,136
Subordinated loans and similar debts	645,794	645,857
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	**40,606,936**	38,915,686
Shareholders' Equity - Group share		
Share capital - Common shares	439,128	439,128
Share capital - Preferred shares	6,866	4,119
Issue premium - Common shares	586,124	586,124
Issue premium - Preferred shares	618,134	370,880
Subsidiary shares warrants	8,377	11,373
Share capital and cash contribution to capital	48,150	48,150
Non-distributable reserves	1,055,799	782,233
Distributable reserves	413,692	426,444
Treasury shares	(62,372)	-
Retained earnings	607,027	448,109
Proposed dividends	-	-
Revaluation reserve of real estate	237,952	239,130
Reserve on revaluation of financial assets at fair value through other comprehensive income	21,330	24,021
Remeasurement actuarial (gain)/Loss on defined benefit plan	(2,821)	(3,709)
Share of associates' other comprehensive income under equity method	3,016	3,016
Foreign currency translation reserve	(825,817)	(486,034)
Net (loss) gain on hedge of net investments in foreign entities	(38,284)	(35,258)
Result of the period	460,419	390,015
Shareholders' equity - Group share	**3,576,720**	3,247,741
Non-controlling interest	**211,851**	39,658
Total shareholders' equity	**3,788,571**	3,287,399
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**44,395,507**	42,203,085

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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	2016 *USD Thousands*	2015 *USD Thousands*
Interest and similar income	2,564,514	2,488,235
Interest and similar expense	(1,547,332)	(1,525,875)
Net interest margin	**1,017,182**	962,360
Fee and commission income	963,366	329,026
Fee and commission expense	(70,819)	(63,954)
Net fee and commission income	**892,547**	265,072
Net gain on financial assets or liabilities at fair value through profit and loss	156,462	18,099
Of which: interest income	35,625	17,305
Net gain on financial investments	104,201	97,203
Other operating income	33,091	21,328
Total operating income	**2,203,483**	1,364,062
Net provisions for credit losses	(312,461)	(133,371)
Net operating income	**1,891,022**	1,230,691
Personnel expenses	(486,791)	(413,329)
Other operating expenses	(325,349)	(264,938)
Depreciation of property and equipment	(51,610)	(48,598)
Amortisation of intangible assets	(20,506)	(19,075)
Impairment on goodwill and investments	(128,464)	(3,620)
Total of operating expenses	**(1,012,720)**	(749,560)
Operating profit	**878,302**	481,131
Share of profit of associates under equity method	723	2,019
Net gain (loss) on disposal of other asset	(15,382)	(545)
Profit before tax	**863,643**	482,605
Income tax	(217,410)	(106,683)
Profit after tax	**646,233**	375,922
Result of discontinued operations, net of tax	(176,127)	27,213
Profit for the period	**470,106**	403,135
Minority share profit for the period	**9,687**	13,120
Group share profit for the period	**460,419**	390,015
Basic earnings per share USD	1.08	0.92
Basic earnings per share from continuing operations USD	1.52	0.88

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AMONG TOP REGIONAL BANKING GROUPS

LBP 66,926 billion in total assets as at 31/12/2016

consolidated activity highlights

IN LEBANESE POUNDS

AT END-DECEMBER 2016

Diversified Growth of Assets and Net Profits

- **LBP 54,203 billion of total customers' deposits**
- **LBP 26,145 billion of total loans to customers**
- **LBP 5,711 billion of total shareholders' equity**
- **LBP 709 billion of net profits in 2016,** growing by **17%** relative to 2015

Resilient Asset Mix

- **60.5% of primary liquidity to customers' deposits ratio**
- **15.3% of capital adequacy ratio as per Basel III,** of which **9.5%** of Common Equity Tier 1 ratio
- **2.4% only of gross doubtful loans to gross loans ratio,** covered up to **102%** by specific provisions and real guarantees
- **Collective provisions reached LBP 437 billion,** corresponding to **2%** of risk-weighted loans
- **14.7% of return on average common equity,** with **LBP 1,628** earnings per common share and **LBP 11,310** common book value per share

A UNIVERSAL AND INNOVATIVE BANKING OFFERING AT THE SERVICE OF INDIVIDUAL AND CORPORATE CUSTOMERS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

ASSETS	31/12/2016 LBP Million	31/12/2015 LBP Million
Cash and balances with central banks	18,650,596	13,754,922
Due from banks and financial institutions	3,027,228	2,704,157
Loans to banks and financial institutions and reverse repurchase agreements	2,068,815	2,585,553
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	390,138	265,863
Shares and participations at fair value through profit and loss	73,621	59,292
Debt instruments and other similar financial assets at fair value through profit and loss	619,593	324,430
Of which: net loans and advances at fair value through profit and loss	21,898	22,185
Net loans and advances to customers at amortised cost[1]	25,926,265	26,711,323
Net loans and advances to related parties at amortised cost[2]	219,193	214,549
Debtors by acceptances	199,156	240,605
Debt instruments classified at amortised cost[3]	13,990,070	14,784,574
Shares and participations at fair value through other comprehensive income	193,948	144,375
Investments in associates	13,333	13,989
Assets taken in settlement of debts	81,027	72,779
Property and equipment	881,501	963,438
Intangible fixed assets	64,621	101,364
Non-current assets held for sale	-	-
Other assets	485,295	470,506
Goodwill	41,827	209,434
TOTAL ASSETS	**66,926,227**	63,621,153

[1] After deduction of provisions amounting to LBP 826 billion from loans and advances to customers as per IAS 39, of which LBP 437 billion representing provisions on collective assessment.
[2] Loans granted to related parties against cash collateral amounted to LBP 174 billion.
[3] Includes an amount of LBP 585 billion with risk ceded to customers.

OFF-BALANCE SHEET	31/12/2016 LBP Million	31/12/2015 LBP Million
Financing commitments		
- Financing commitments given to banks and financial institutions	649,916	548,320
- Financing commitments given to customers	4,799,561	5,222,427
Bank guarantees		
- Guarantees given to banks and financial institutions	273,924	231,963
Of which: credit derivatives		-
- Guarantees received from banks and financial institutions	2,043,360	2,603,635
Of which: credit derivatives	-	-
- Guarantees given to customers	2,512,012	2,543,077
- Guarantees received from customers	35,691,544	36,115,990
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	10,251,741	7,199,804
- Foreign currencies to deliver	10,327,112	7,215,797
Commitments on term financial instruments	**12,686,456**	9,599,733
Other commitments	-	-
Claims from legal cases	-	-
Fiduciary accounts	**3,407,836**	2,255,152
- Under specific instructions	3,307,051	1,963,991
- Under discretionary investments	100,785	291,161
Assets under management	**12,659,104**	12,185,015
Mutual funds	**260,859**	407,021
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	**183,991**	34,327

LIABILITIES	31/12/2016 LBP Million	31/12/2015 LBP Million
Due to central banks	2,007,112	569,856
Due to banks and financial institutions and repurchase agreement	2,575,056	2,340,565
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	272,952	131,199
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	53,389,218	52,990,507
Deposits from related parties	813,548	690,111
Debt issued and other borrowed funds	-	80,353
Engagements by acceptances	199,156	240,605
Other liabilities	827,788	476,516
Provisions for risks and charges	156,592	172,060
Subordinated loans and similar debts	973,535	973,629
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	**61,214,957**	58,665,401
Shareholders' Equity - Group Share		
Share capital - Common shares	661,985	661,985
Share capital - Preferred shares	10,350	6,210
Issue premium - Common shares	883,582	883,582
Issue premium - Preferred shares	931,837	559,102
Subsidiary shares warrants	12,629	17,145
Share capital and cash contribution to capital	72,586	72,586
Non-distributable reserves	1,591,617	1,179,216
Distributable reserves	623,640	642,865
Treasury shares	(94,026)	-
Retained earnings	915,093	675,524
Proposed dividends	-	-
Revaluation reserve of real estate	358,713	360,488
Reserve on revaluation of financial assets at fair value through other comprehensive income	32,154	36,211
Remeasurement actuarial (gain)/Loss on defined benefit plan	(4,253)	(5,592)
Share of associates' other comprehensive income under equity method	4,546	4,546
Foreign currency translation reserve	(1,244,917)	(732,696)
Net (loss) gain on hedge of net investments in foreign entities	(57,713)	(53,152)
Result of the period	694,082	587,948
Shareholders' equity - Group share	**5,391,905**	4,895,968
Non-controlling interest	**319,365**	59,784
Total shareholders' equity	**5,711,270**	4,955,752
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**66,926,227**	63,621,153

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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	2016 *LBP Million*	2015 *LBP Million*
Interest and similar income	3,866,005	3,751,014
Interest and similar expense	(2,332,603)	(2,300,257)
Net interest margin	**1,533,402**	1,450,757
Fee and commission income	1,452,275	496,006
Fee and commission expense	(106,760)	(96,411)
Net fee and commission income	**1,345,515**	399,595
Net gain on financial assets or liabilities at fair value through profit and loss	235,866	27,284
Of which: interest income	53,705	26,088
Net gain on financial investments	157,083	146,533
Other operating income	49,885	32,154
Total operating income	**3,321,751**	2,056,323
Net provisions for credit losses	(471,035)	(201,057)
Net operating income	**2,850,716**	1,855,266
Personnel expenses	(733,837)	(623,093)
Other operating expenses	(490,463)	(399,393)
Depreciation of property and equipment	(77,802)	(73,262)
Amortisation of intangible assets	(30,913)	(28,756)
Impairment on goodwill and investments	(193,660)	(5,457)
Total of operating expenses	**(1,526,675)**	(1,129,961)
Operating profit	**1,324,041**	725,305
Share of profit of associates under equity method	1,090	3,044
Net gain (loss) on disposal of other asset	(23,188)	(821)
Profit before tax	**1,301,943**	727,528
Income tax	(327,746)	(160,825)
Profit after tax	**974,197**	566,703
Result of discontinued operations, net of tax	(265,512)	41,024
Profit for the period	**708,685**	607,727
Minority share profit for the period	**14,603**	19,779
Group share profit for the period	**694,082**	587,948
Basic earnings per share LBP	1,628	1,387
Basic earnings per share from continuing operations LBP	2,294	1,333

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