

Press Release

Bank Audi Consolidated Activity Highlights as at End-September 2016

Beirut, October 27, 2016

- **US\$ 45.3 billion of assets**, of which 45% from entities outside Lebanon
- **US\$ 37.0 billion of customers' deposits**, of which 42% from entities outside Lebanon
- **US\$ 18.8 billion of loans to customers**, of which 66% from entities outside Lebanon
- **US\$ 3.7 billion of shareholders' equity**, of which 89% of core common shareholders' equity
- **US\$ 350 million of net profits in the first nine months of 2016**, growing by 15% relative to the corresponding period of 2015, and of which 44% from entities outside Lebanon

While most real sector indicators managed to display a positive growth this year, the Lebanese economy is still under lingering pressures in its real sector, within the context of ongoing regional uncertainties and their repercussions on the domestic scene. In fact, the Lebanese economy, which started the year with a noticeable improvement in the first quarter, has lost some steam in the second quarter and in the third quarter of the year. According to the Central Bank of Lebanon, the Lebanese economy is expected to grow by 1.5% to 2% in real terms in 2016. In parallel, the financial sector reported an improvement in activity on the back of the recent BDL financial engineering operations that resulted in a 37% growth in financial inflows over the first eight months of the year, generating a surplus in the balance of payments of US\$ 366 million, against a deficit of US\$ 1,649 million in the first eight months of 2015. Subsequently, banking activity saw a US\$ 9.8 billion growth in assets over the first eight months of 2016, against a growth of US\$ 5.9 billion realized over last year's same period.

In the MENA region, where Bank Audi has a large presence, recent reforms and lower oil prices have helped contain overall macro pressures in oil-importing countries of the region, though growth remains fragile due to security concerns, social tensions and lingering structural impediments. In Egypt in particular, the IMF revised growth upwards to 3.8% driven by a number of supporting factors, namely the agreement with the IMF for a US\$ 12 billion loan over a three-year period that adds to a stream of bilateral and multilateral loans recently secured and easing external financing prospects. In Turkey, the IMF revised the 2016 real GDP growth to 3.3% against a previous forecast of 3.8% pre-coup attempt in an environment where foreign demand was received a hit in its multiple components of FDI, portfolio inflows and tourism, but domestic demand remains strong, with consumption benefitting this year from a hike in minimum wages, the positive term-of-trade from low oil prices, and growing demand from refugees living in Turkey.

Despite the persistently challenging environment both domestically and regionally, Bank Audi achieved a growth in consolidated net profits of 15.2% in the first nine months of 2016 relative to the corresponding period of 2015, rising to US\$ 350 million. This growth stemmed in particular from the main development pillars of the Group (Turkey and Egypt), whereby the increase in net profits in Odea Bank and Bank Audi Egypt contributed to 64% of the total increase in consolidated net profits, amounting to US\$ 46 million. In parallel, consolidated assets of Bank Audi grew by 7.1%, reaching US\$ 45.3 billion at end-September 2016, of which 45% from entities outside Lebanon, and which further reinforces the Group's positioning among the leading regional banking groups.

Bank Audi had realized non recurring exceptional revenues as a result of the exchange transactions offered by the Central Bank of Lebanon for a limited period of time and with enticing conditions. As per the Central Bank's directives, those revenues were primarily used to constitute provisions in preparation for the application of IFRS 9 in 2018. In addition, the General Management decided to use the excess revenues to impair goodwill in a number of entities and to increase the collective provisions on loans, further reinforcing the overall asset quality. Moreover, the Bank's Management resolved to write 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 details:

- Consolidated assets of Bank Audi increased in the first nine months of 2016 from US\$ 42.3 billion at end-December 2015 to US\$ 45.3 billion at end-September 2016, corresponding to an increase by US\$ 3 billion, i.e. a growth of 7.1%. Accounting for assets under management, fiduciary deposits and custody accounts, consolidated assets would reach US\$ 55.8 billion.
- In parallel, consolidated deposits rose from US\$ 35.6 billion at end-December 2015 to US\$ 37 billion at end-September 2016, corresponding to an increase of US\$ 1.4 billion, driven primarily by an increase in deposits of the Lebanese entities. Within this context, consolidated net loans grew by 4.9%, reaching US\$ 18.8 billion at end-September 2016 driven by an increase in loans in entities operating in Egypt, Turkey and Lebanon respectively.
- Lending growth was coupled with a strengthening of the lending portfolio quality, as Management took US\$ 227 million of net loan loss provision charges in the first nine months of 2016, a large part of it in the form of collective provisions. Subsequently, the ratio of collective provisions to net loans surged from 0.9% at end-December 2015 to 1.26% at end-September 2016. In parallel, gross doubtful loans continued to represent 3.2% only of gross loans ratio while the coverage of those loans by specific provisions increased from 68.4% to 76.5% over the same period, reaching 100% 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 0.75% at end-September 2016.
- Over and above the additional collective provisions on loans, Management took US\$ 302 million of other provisions in the first nine months of 2016 in preparation for the application of IFRS 9 in 2018. As per applicable regulations, those provisions are included in the Tier 2 capital, reinforcing capital ratios. Accordingly, total collective provisions have reached US\$ 539 million at end-September 2016, representing 2% of consolidated risk weighted assets.
- In addition, Bank Audi used a part of the realized exceptional revenues to write off its investments in Syria and Sudan for an amount of US\$ 191 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 the Tier 1 capital.
- Adding to the above the positive impact of the capital increase of Odea Bank in Turkey, 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-September 2016, of which 9.9% of common equity Tier 1 ratio, in spite of the adverse impact of the downgrade of Turkey’s sovereign rating.
- In parallel, consolidated primary liquidity placed with central banks and foreign banks was further reinforced, increasing to US\$ 20.3 billion, the equivalent of 54.9% of consolidated customers’ deposits, a high level when compared to regional and global averages.
- Consequently, Bank Audi’s consolidated net earnings rose to US\$ 350 million in the first nine months of 2016 as compared to US\$ 304 million in the corresponding period of last year, growing by 15.2% year-on-year. Adjusting the results of the first nine months of 2015 to the results of our entities in Syria and Sudan, Bank Audi would have achieved a year-on-year growth in recurrent net profits by 12%.
- Based on such results, the Bank’s return on average assets ratio reached 1.1%, while the return on average common equity improved to 15.1%. In parallel, the Bank’s common earnings per share rose to US\$ 1.1 on an annualized basis, while its common book value per share increased to US\$ 7.60 at end-September 2016.

In sum, with the reinforcement of the Bank's fundamentals, Management is now looking to the future with greater confidence, while the Group steadily pursues its strategic orientations, in particular its expansion plan aiming at servicing its customers in Lebanon and abroad and adding value to all its stakeholders.

Among the 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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**A LEADING POSITIONING
IN MAIN COUNTRIES OF
PRESENCE**

**USD 45.3 billion in total
assets as at 30/9/2016**

of which **45%** from entities
outside Lebanon

Bank Audi

**consolidated
activity highlights**

IN US DOLLARS

AT END-SEPTEMBER 2016

Diversified Growth of Assets and Net Profits

- **USD 37.0 billion of total customers' deposits**
- **USD 18.8 billion of total loans to customers**
- **USD 3.7 billion of total shareholders' equity**
- **USD 350 million of net profits in the first nine months 2016**, growing by **15%** relative to the corresponding period of 2015, and of which **44%** from entities outside Lebanon

Resilient Asset Mix

- **54.9% of primary liquidity to customers' deposits ratio**
- **15.3% of capital adequacy ratio as per Basel III**, of which **9.9%** of Common Equity Tier 1 ratio
- **3.2% only of gross doubtful loans to gross loans ratio**, covered up to **100%** by specific provisions and real guarantees
- **Collective provisions reached USD 539 million**, of which USD **302 million** taken in preparation of the application of IFRS9
- **15.1% of return on average common equity**

AMONG THE TOP REGIONAL BANKING GROUPS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/9/16 USD Thousands	31/12/15 USD Thousands
ASSETS		
Cash and balances with central banks	13,153,828	9,124,326
Due from banks and financial institutions	1,117,405	1,793,802
Loans to banks and financial institutions and reverse repurchase agreements	1,147,526	1,715,126
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	192,913	176,360
Shares and participations at fair value through profit and loss	46,683	39,331
Debt instruments and other similar financial assets at fair value through profit and loss	442,940	215,211
Of which: net advances and loans at fair value through profit and loss	47,024	14,716
Net loans and advances to customers at amortised cost ⁽¹⁾	18,662,174	17,786,274
Net loans and advances to related parties at amortised cost ⁽²⁾	152,214	142,321
Debtors by acceptances	159,212	159,605
Debt instruments classified at amortised cost ⁽³⁾	8,919,589	9,807,346
Shares and participations at fair value through other comprehensive income	135,636	95,771
Investments in associates	9,030	9,279
Assets taken in settlement of debts	54,929	48,278
Property and equipment	626,462	639,097
Intangible fixed assets	39,169	67,240
Non-current assets held for sale	-	-
Other assets	385,935	312,111
Goodwill	29,062	138,928
TOTAL ASSETS	45,274,707	42,270,406

⁽¹⁾ After deduction of provisions amounting to USD 629 million from loans and advances to customers as per IAS 39, of which USD 237 million representing provisions on collective assessment.

⁽²⁾ Loans granted to related parties against cash collateral amounted to USD 118 million.

⁽³⁾ Includes an amount of USD 998 million with risk ceded to customers.

	30/9/16 USD Thousands	31/12/15 USD Thousands
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	479,117	363,728
- Financing commitments given to customers	3,656,436	3,464,296
Bank guarantees		
- Guarantees given to banks and financial institutions	99,576	153,873
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	1,104,411	1,727,121
Of which: credit derivatives	-	-
- Guarantees given to customers	1,670,652	1,686,950
- Guarantees received from customers	25,112,015	24,024,859
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	5,516,889	4,775,989
- Foreign currencies to deliver	5,553,469	4,786,598
Commitments on term financial instruments	8,336,795	6,367,981
Other commitments		
Claims from legal cases	-	-
Fiduciary accounts	1,844,089	1,495,955
- Under specific instructions	1,756,454	1,302,813
- Under discretionary investments	87,635	193,142
Assets under management	8,497,305	8,082,929
Mutual funds	190,111	269,997
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	10,729	22,771

	30/9/16 USD Thousands	31/12/15 USD Thousands
LIABILITIES		
Due to central banks	1,218,248	378,014
Due to banks and financial institutions and repurchase agreement	1,545,164	1,552,614
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	87,477	87,031
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits at amortised cost	36,416,860	35,151,248
Deposits from related parties at amortized cost	545,792	457,785
Debt issued and other borrowed funds	14,052	53,302
Engagements by acceptances	159,212	159,605
Other liabilities ⁽⁴⁾	860,412	383,414
Provisions for risks and charges	108,854	114,137
Subordinated loans and similar debts	648,342	645,857
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	41,604,413	38,983,007
Shareholders' Equity - Group Share		
Share capital - Common shares	439,128	439,127
Share capital - Preferred shares	4,119	4,119
Issue premium - Common shares	586,124	586,124
Issue premium - Preferred shares	370,880	370,881
Subsidiary shares warrants	9,327	11,373
Share capital and cash contribution to capital	48,150	48,150
Non-distributable reserves	843,521	782,233
Distributable reserves	415,831	426,445
Treasury shares	(1,378)	-
Retained earnings	586,194	448,110
Proposed dividends	-	-
Revaluation reserve of real estate	237,952	239,130
Reserve on revaluation of financial assets at fair value through other comprehensive income	21,224	24,021
Reserve for cash flow hedges	-	-
Remeasurement actuarial (gain)/Loss on defined benefit plan	(3,709)	(3,709)
Share of associates' other comprehensive income under equity method	3,016	3,016
Foreign currency translation reserve	(447,065)	(486,036)
Net (loss) gain on hedge of net investments in foreign entities	(30,013)	(35,258)
Result of the current period	346,908	390,015
Shareholders' equity - Group share	3,430,209	3,247,741
Non-controlling interest	240,085	39,658
Total shareholders' equity	3,670,294	3,287,399
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	45,274,707	42,270,406

⁽⁴⁾ Includes collective provisions of USD 302 million taken in preparation of the application of IFRS 9.



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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/9/16 USD Thousands	30/9/15 USD Thousands
Interest and similar income	1,922,347	1,850,275
Interest and similar expense	(1,162,652)	(1,138,957)
Net interest margin	759,695	711,318
Fee and commission income	872,004	240,929
Fee and commission expense	(52,489)	(46,575)
Net Fee and commission income	819,515	194,354
Net gain on financial assets or liabilities at fair value through profit and loss	29,956	(19,767)
Of which: interest income	27,277	13,309
Net gain on financial investments	130,348	105,058
Other operating income	23,789	6,332
Total operating income	1,763,303	997,295
Net provisions for credit losses	(227,743)	(98,213)
Net operating income	1,535,560	899,082
Personnel expenses	(370,214)	(305,117)
Other operating expenses	(259,852)	(187,103)
Depreciation of property and equipment	(39,040)	(36,054)
Amortisation of intangible assets	(17,171)	(13,866)
Impairment on goodwill and investments	(128,464)	-
Total operating expenses	(814,741)	(542,140)
Operating profit	720,819	356,942
Share of profit of associates under equity method	699	1,631
Net gain (loss) on disposal of other asset	(15,389)	(24)
Profit before tax	706,129	358,549
Income tax	(164,611)	(78,053)
Profit after tax	541,518	280,496
Result of discontinued operations, net of tax	(191,175)	23,684
Profit for the current period	350,343	304,180
Minority share profit for the current period	3,435	12,033
Group share profit for the current period	346,908	292,147
Basic earnings per share USD	0.83	0.69
Basic earnings per share from continuing operations USD	0.83	0.69

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**A LEADING POSITIONING
IN MAIN COUNTRIES OF
PRESENCE**

**LBP 68,252 billion in total
assets as at 30/9/2016**

of which **45%** from entities
outside Lebanon

Bank Audi

**consolidated
activity highlights**

IN LEBANESE POUNDS

AT END-SEPTEMBER 2016

Diversified Growth of Assets and Net Profits

- **LBP 55,721 billion of total customers' deposits**
- **LBP 28,363 billion of total loans to customers**
- **LBP 5,533 billion of total shareholders' equity**
- **LBP 528 billion of net profits in the first nine months 2016**, growing by **15%** relative to the corresponding period of 2015, and of which **44%** from entities outside Lebanon

Resilient Asset Mix

- **54.9% of primary liquidity to customers' deposits ratio**
- **15.3% of capital adequacy ratio as per Basel III**, of which **9.9%** of Common Equity Tier 1 ratio
- **3.2% only of gross doubtful loans to gross loans ratio**, covered up to **100%** by specific provisions and real guarantees
- **Collective provisions reached LBP 812 billion**, of which LBP **455 billion** taken in preparation of the application of IFRS9
- **15.1% of return on average common equity**

AMONG THE TOP REGIONAL BANKING GROUPS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/9/2016 LBP Million	31/12/2015 LBP Million
ASSETS		
Cash and balances with central banks	19,829,396	13,754,922
Due from banks and financial institutions	1,684,488	2,704,157
Loans to banks and financial institutions and reverse repurchase agreements	1,729,895	2,585,553
Due from head office, sister, related banks and financial institutions	-	-
Financial assets given as collateral	-	-
Derivative financial instruments	290,816	265,863
Shares and participations at fair value through profit and loss	70,375	59,292
Debt instruments and other similar financial assets at fair value through profit and loss	667,732	324,430
Of which: net advances and loans at fair value through profit and loss	70,889	22,185
Net loans and advances to customers at amortised cost ⁽¹⁾	28,133,228	26,812,807
Net loans and advances to related parties at amortised cost ⁽²⁾	229,463	214,549
Debtors by acceptances	240,012	240,605
Debt instruments classified at amortised cost ⁽³⁾	13,446,280	14,784,574
Shares and participations at fair value through other comprehensive income	204,472	144,375
Investments in associates	13,613	13,989
Assets taken in settlement of debts	82,805	72,779
Property and equipment	944,391	963,438
Intangible fixed assets	59,047	101,364
Non-current assets held for sale	-	-
Other assets	581,797	470,506
Goodwill	43,811	209,434
TOTAL ASSETS	68,251,621	63,722,637

⁽¹⁾ After deduction of provisions amounting to LBP 948,559 million from loans and advances to customers as per IAS 39, of which LBP 357,287 million representing provisions on collective assessment.

⁽²⁾ Loans granted to related parties against cash collateral amounted to LBP 177,990 million.

⁽³⁾ Includes an amount of LBP 1,504 billion with risk ceded to customers.

	30/9/2016 LBP Million	31/12/2015 LBP Million
OFF-BALANCE SHEET		
Financing commitments	722,268	548,320
- Financing commitments given to banks and financial institutions	-	-
- Financing commitments given to customers	5,512,077	5,222,427
Bank guarantees		
- Guarantees given to banks and financial institutions	150,110	231,963
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	1,664,900	2,603,635
Of which: credit derivatives	-	-
- Guarantees given to customers	2,518,508	2,543,077
- Guarantees received from customers	37,856,363	36,217,474
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	8,316,710	7,199,804
- Foreign currencies to deliver	8,371,854	7,215,797
Commitments on term financial instruments	12,567,718	9,599,733
Other commitments		
Claims from legal cases	-	-
Fiduciary accounts	2,779,965	2,255,152
- Under specific instructions	2,647,855	1,963,991
- Under discretionary investments	132,110	291,161
Assets under management	12,809,688	12,185,015
Mutual funds	286,592	407,021
Structured financial products	-	-
Engagement unlikely to be executed	-	-
Bad debts written off during the year	16,174	34,327

	30/9/2016 LBP Million	31/12/2015 LBP Million
LIABILITIES		
Due to central banks	1,836,509	569,856
Due to banks and financial institutions and repurchase agreement	2,329,334	2,340,565
Due to head office, sister, related banks and financial institutions	-	-
Financial assets taken as a guarantee	-	-
Derivative financial instruments	131,872	131,199
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits at amortised cost	54,898,416	52,990,507
Deposits from related parties at amortized cost	822,781	690,111
Debt issued and other borrowed funds	21,184	80,353
Engagements by acceptances	240,012	240,605
Other liabilities ⁽⁴⁾	1,297,071	578,000
Provisions for risks and charges	164,097	172,060
Subordinated loans and similar debts	977,376	973,629
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	62,718,652	58,766,885
Shareholders' Equity - Group Share		
Share capital - Common shares	661,985	661,985
Share capital - Preferred shares	6,210	6,210
Issue premium - Common shares	883,582	883,582
Issue premium - Preferred shares	559,102	559,102
Subsidiary shares warrants	14,060	17,145
Share capital and cash contribution to capital	72,586	72,586
Non-distributable reserves	1,271,608	1,179,216
Distributable reserves	626,865	642,865
Treasury shares	(2,077)	-
Retained earnings	883,688	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	31,995	36,211
Reserve for cash flow hedges	-	-
Remeasurement actuarial (gain)/Loss on defined benefit plan	(5,592)	(5,592)
Share of associates' other comprehensive income under equity method	4,546	4,546
Foreign currency translation reserve	(673,950)	(732,696)
Net (loss) gain on hedge of net investments in foreign entities	(45,244)	(53,152)
Result of the current period	522,964	587,948
Shareholders' equity - Group share	5,171,041	4,895,968
Non-controlling interest	361,928	59,784
Total shareholders' equity	5,532,969	4,955,752
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	68,251,621	63,722,637

⁽⁴⁾ Includes collective provisions of LBP 455,019 million taken in preparation of the application of IFRS 9.



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CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/9/2016 LBP Million	30/9/2015 LBP Million
Interest and similar income	2,897,938	2,789,289
Interest and similar expense	(1,752,697)	(1,716,977)
Net interest margin	1,145,241	1,072,312
Fee and commission income	1,314,545	363,200
Fee and commission expense	(79,127)	(70,212)
Net Fee and commission income	1,235,418	292,988
Net gain on financial assets or liabilities at fair value through profit and loss	45,159	(29,799)
Of which: interest income	41,120	20,063
Net gain on financial investments	196,500	158,375
Other operating income	35,862	9,546
Total operating income	2,658,180	1,503,422
Net provisions for credit losses	(343,323)	(148,056)
Net operating income	2,314,857	1,355,366
Personnel expenses	(558,099)	(459,964)
Other operating expenses	(391,723)	(282,058)
Depreciation of property and equipment	(58,852)	(54,351)
Amortisation of intangible assets	(25,886)	(20,903)
Impairment on goodwill and investments	(193,660)	-
Total operating expenses	(1,228,220)	(817,276)
Operating profit	1,086,637	538,090
Share of profit of associates under equity method	1,053	2,458
Net gain (loss) on disposal of other asset	(23,200)	(36)
Profit before tax	1,064,490	540,512
Income tax	(248,151)	(117,665)
Profit after tax	816,339	422,847
Result of discontinued operations, net of tax	(288,197)	35,703
Profit for the current period	528,142	458,550
Minority share profit for the current period	5,178	18,140
Group share profit for the current period	522,964	440,410
Basic earnings per share LBP	1,244	1,039
Basic earnings per share from continuing operations LBP	1,244	1,039

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- ARABEYA ONLINE BROKERAGE
- AUDI CAPITAL (KSA) cjsc
- BANK AUDI LLC (Qatar)
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