

Bank Audi Consolidated Activity Highlights as at End-June 2019

Beirut, July 30, 2019

Key balance sheet metrics

- USD 47.5 billion of consolidated assets
- USD 31.8 billion of consolidated customers' deposits
- USD 12.1 billion of consolidated net loans
- USD 3.8 billion of total shareholders' equity, of which USD 3.1 billion of common shareholders' equity
- USD 250 million of net profits in the first half of 2019, of which USD 176 million of net profits generated in entities operated in Lebanon and USD 74 million generated in entities abroad

Financial Standing Indicators

- 84.3% of primary liquidity to customers' deposits ratio
- 19.3% of total capital adequacy ratio as per Basel III, of which 11.9% of CET1 ratio
- 7.1% of gross credit-impaired loans to gross loans ratio, covered up to 100% by specific provisions and real guarantees
- 2.1% of allowances for expected credit losses on performing loans (Stage 1 & 2) to net loans ratio post adoption of IFRS 9
- 14.3% of return on average common equity

Sluggish domestic real economic performance this year, driven by weakening private investment, and generating a net contraction in bank lending portfolios

- The Lebanese economy witnessed an increased sluggishness in the first few months of 2019. Yet, real GDP growth for the year 2019 is forecast at 1.3% as per the IMF, suggesting that the economy is still avoiding the recessionary trap.
- Economic growth is supported mainly by private consumption, touristic spending and exports, while the weakness in private investment continues to be an impediment on growth.
- Subsequently, banking sector loans to the private sector contracted by USD 3.1 billion over the first five months of this year amid scarce lending opportunities.
- The public budget ratification represents a relative breakthrough, with a targeted deficit ratio of 7.5% of GDP in 2019, against 11% achieved last year.

Regionally, weaker external demand, particularly from key trading partners, represents a key challenge to countries across MENA

- Economic growth in the MENA region is slowing down to 1.3% this year, amid lower oil prices, restrained oil production, and slowing global growth.
- Growth in regional oil importers is projected to remain relatively modest, constrained by persistent structural rigidities and elevated public debt in many countries, leaving economies vulnerable to less favorable financial conditions.
- Egypt, where Bank Audi has an extensive presence, represents a relative breakthrough, with a 2019 growth forecasted at a 12-year high of 5.5% amid wide structural and fiscal reforms fostering the overall confidence factor.
- Despite difficult conditions so far this year, the Turkish economy is likely to renew with positive GDP growth rates as of next year, helped by a dynamic and diversified private sector, solid public finances and a financially sound banking industry.

Consolidated assets for Bank Audi remained stable in the first half of 2019

Consolidated assets of Bank Audi remained stable in the first half of 2019 reaching USD 47.5 billion as at end-June 2019, sustaining the Bank's leading positioning among Lebanese banking groups and among the top 20 Arab banking groups. In parallel, consolidated assets under management, encompassing assets under management, fiduciary deposits and custody accounts, rose to USD 12.5 billion as at end-June 2019, raising total consolidated assets and assets under management to USD 60 billion.

Sustained consolidation direction in Lebanon and Turkey within promising growth in Egypt

Consolidated customers' deposits stood at USD 31.8 billion at end-June 2019, registering a decrease by USD 165 million relative to end-December 2018, driven primarily by the consolidation direction adopted in Lebanon and Turkey, while Bank Audi Egypt reported an increase in its deposits base by USD 404 million over the same period. In parallel, the de-risking policy also resulted in an additional contraction in consolidated loans to customers to USD 12.1 billion at end-June 2019, compared to USD 13.3 billion end-December 2018.

Asset quality

At end-June 2019, the ratio of gross credit-impaired loans to gross loans reached 7.1% as compared to 5.5% as at end-December 2018. This indicator would have then increased by 1.5% in the first half of 2019, of which 0.56% is accounted for by the contraction in gross loans by 8% over the period. Management allocated USD 70.1 million of net provisions for credit losses on loans in the first half of 2019, whereby the coverage ratio of credit-impaired loans by specific provisions improved to 64.6% and reaching 100% when accounted for real guarantees. Total allowances for expected credit losses (ECL) on Stage 1 & 2 assets as per IFRS 9 amounted to USD 335 million at end-June 2019, representing 1.5% of consolidated credit risk-weighted assets.

Improved financial flexibility

The Bank's core equity tier one ratio (CET1) as per Basel III improved from 11.4% as at end-December 2018, to 11.9% as at end-June 2019 while total capital adequacy ratio also improved from 18.9% to 19.3% over the same period, both levels comfortably above the minimum regulatory ratios of 10% and 15% respectively. Primary liquidity continued to be solid representing 84.3% of customers' deposits.

Improved overall efficiency

The Bank's overall efficiency strengthened during the first half of 2019, within a contraction in general operating expenses by 9.6% exceeding the decrease in total income by 7%. This resulted in an improvement at the level of the cost-to-income ratio by 1.2%, with the latter declining from 45.7% in the first half of 2018 to 44.5% in the first half of 2019.

USD 250 million consolidated net profits in the first half of 2019, turning stable profitability ratios

Consolidated net profits of Bank Audi after provisions and taxes reached USD 250 million in the first half of 2019 compared to USD 265 million in the corresponding period of 2018, i.e. a decrease by 5.7%, after deducting provisions of USD 70.1 million, against similar provisions of USD 59.7 million in the first half of 2018. Pre-provision earnings thus moved from USD 325 million in the first half of 2018 to USD 320 million in the first half of 2019, implying a contraction narrowing to 1.4%.

Over the same period, net profits of entities operating in Lebanon reached USD 176 million compared to USD 170 million in the corresponding period of 2018, i.e. a growth of 3.5%.

Based on such results, consolidated profitability ratios reported similar levels as in 2018 with the ratio of return on average assets standing at 1.1% as at end-June 2019 while the ratio of return on average common equity reached 14.3%.

Finally, the results of the Bank in the first half of 2019 highlights the Bank's ability to maintain its earning power amidst tough operating conditions, which enables it to allocate the provisions required to face adverse regional developments, and enhance the Group's capital adequacy and resilience. Such performances also translate in consolidating the Group's leading positioning in its domestic market and reinforce its ranking among the top 20 Arab banking groups.

Among Top Regional Banking Groups

LEBANON | SWITZERLAND | FRANCE | JORDAN | EGYPT | KSA | QATAR | MONACO | TURKEY | IRAQ | REP. OFF. IN ABU DHABI

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SUMMARISED INCOME STATEMENT

In US\$ Million	QII-19	QII-18	QoQ %	HI-19	HI-18	YoY %
Net interest income	287	307	-6.6%	562	582	-3.4%
Non-interest income	56	87	-35.7%	126	159	-20.9%
o.w. Net commissions	48	53	-10.3%	96	105	-8.8%
o.w. Other income	8	34	-75.5%	30	54	-44.7%
Total operating income	343	394	-13.0%	688	741	-7.1%
General operating expenses	152	162	-6.6%	306	339	-9.6%
Net loan loss provisions	30	33	-7.7%	70	60	17.4%
Income Tax	32	47	-32.4%	61	77	-20.7%
Total costs	214	242	-11.8%	438	476	-8.0%
Net profits from continuing operations	129	151	-15.0%	250	265	-5.7%
Profits from discontinued operations						
Net profits	129	151	-15.0%	250	265	-5.7%

SUMMARISED BALANCE SHEET

In US\$ Million	Jun-19	Jun-18	YoY %	Dec-18	YTD%
Total assets	47,507	44,860	5.9%	47,201	0.6%
Customers' deposits	31,791	31,320	1.5%	31,956	-0.5%
Loans to customers' (net)	12,115	14,572	-16.9%	13,267	-8.7%
Shareholders' equity	3,810	4,026	-5.4%	3,886	-2.0%
<i>o.w. Common shareholders' equity</i>	<i>3,060</i>	<i>3,051</i>	<i>0.3%</i>	<i>3,101</i>	<i>-1.3%</i>
Number of branches	203	201	1.0%	201	1.0%
Number of staff	6,197	6,307	-1.7%	6,306	-1.7%

KEY RATIOS

	QII-19	QII-18	QoQ %	HI-19	HI-18	YoY %
Spread	2.5%	2.8%	-0.3%	2.4%	2.7%	-0.2%
Cost/Income	44.2%	41.2%	3.0%	44.5%	45.7%	-1.2%
Cost of risk (bps)	1.0%	0.9%	0.1%			
ROAA	1.1%	1.4%	-0.3%	1.1%	1.2%	-0.1%
ROACE	15.0%	17.2%	-2.2%	14.3%	14.6%	-0.4%
	Jun-19	Jun-18	YoY %	Dec-18	YTD%	
Loan/Deposits	38.1%	46.5%	-8.4%	41.5%	-3.4%	
Credit impaired/Gross loans	7.1%	4.3%	2.7%	5.5%	1.5%	
Credit impaired coverage	64.6%	58.2%	6.4%	63.0%	1.6%	
Allowance for ECL stage 1 & 2/Net loans	2.1%	1.4%	0.7%	2.3%	-0.3%	
CET1	11.9%	11.1%	0.9%	11.4%	0.6%	
CAR ratio	19.3%	18.3%	1.1%	18.9%	0.5%	

2019

Bank Audi

AMONG THE TOP REGIONAL BANKING GROUPS

USD 47.5 billion in total assets as at 30/6/2019

consolidated activity highlights

IN US DOLLARS

AT END-JUNE 2019

- USD 31.8 billion of total customers' deposits
- USD 12.1 billion of total loans to customers
- USD 3.8 billion of total shareholders' equity, of which USD 3.1 billion of common shareholders' equity
- USD 250 million of net profits in the first half of 2019, of which USD 176 million of net profits generated from entities operating in Lebanon

Main Financial Indicators

- 84.3% of primary liquidity to customers' deposits ratio
- 19.3% of total capital adequacy ratio as per Basel III, of which 11.9% of CET1 ratio
- 7.1% of gross credit-impaired loans to gross loans ratio, covered up to 100% by specific provisions and real guarantees
- 2.1% of allowances for expected credit losses on performing loans (Stage 1 & 2) to net loans ratio post adoption of IFRS 9
- 14.3% of return on average common equity

A UNIVERSAL AND INNOVATIVE BANKING OFFERING
CATERING TO 1.1 MILLION CUSTOMERS SERVED THROUGH
203 BRANCHES AND 6,200 EMPLOYEES IN 11 COUNTRIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/6/2019 USD Thousands	31/12/2018 USD Thousands
ASSETS		
Cash and balances with central banks	18,741,213	16,446,887
Due from banks and financial institutions	1,404,999	2,549,669
Due from head office, sister, related banks and financial institutions	-	-
Loans to banks and financial institutions and reverse repurchase agreements	153,002	176,879
Financial assets given as collateral	-	-
Derivative financial instruments	205,239	278,440
Shares and participations at fair value through profit and loss	41,570	70,998
Debt instruments and other similar financial assets at fair value through profit and loss	213,247	75,019
Of which: net loans and advances at fair value through profit and loss	27,054	24,699
Shares and participations at fair value through other comprehensive income	42,501	48,853
Debt instruments and other similar financial assets at fair value through other comprehensive income	771,215	785,267
Net loans and advances to customers at amortised cost	12,011,319	13,165,483
Net loans and advances to related parties at amortised cost ⁽¹⁾	103,436	101,938
Debtors by acceptances	560,153	275,041
Debt instruments classified at amortised cost ⁽²⁾	11,828,688	11,942,818
Investments in associates	93,531	96,096
Assets taken in settlement of debts	185,939	128,505
Property and equipment	677,043	582,223
Intangible fixed assets	44,969	45,423
Non-current assets held for sale	-	-
Other assets	400,350	403,603
Goodwill	28,136	28,135
TOTAL ASSETS	47,506,550	47,201,277

⁽¹⁾ Loans granted to related parties against cash collateral amounted to USD 73 million.

⁽²⁾ Includes an amount of USD 682 million with risk ceded to customers.

	30/6/2019 USD Thousands	31/12/2018 USD Thousands
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	283,033	278,767
- Financing commitments given to customers	3,050,441	3,155,165
Bank guarantees		
- Guarantees given to banks and financial institutions	61,343	62,802
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	198,406	223,810
Of which: credit derivatives	-	-
- Guarantees given to customers	1,306,490	1,359,644
- Guarantees received from customers	22,735,657	22,815,503
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	5,413,992	5,194,301
- Foreign currencies to deliver	5,430,322	5,215,218
Commitments on term financial instruments	6,733,937	8,075,223
Other commitments		
Claims from legal cases		
Fiduciary accounts	2,542,147	2,054,514
- Under specific instructions	2,479,767	2,008,516
- Under discretionary investments	62,380	45,998
Assets under management	9,888,219	10,103,390
Mutual funds	75,453	40,906
Structured financial products		
Engagement unlikely to be executed	-	-
Bad debts written off during the year	1,406	80,947

	30/6/2019 USD Thousands	31/12/2018 USD Thousands
LIABILITIES		
Due to central banks	8,210,242	7,907,124
Due to banks and financial institutions and repurchase agreement	1,187,277	1,449,414
Due to head office, sister, related banks and financial institutions	-	-
Derivative financial instruments	278,203	270,815
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	31,562,633	31,692,916
Deposits from related parties	228,092	262,762
Debt issued and other borrowed funds	147,375	39,309
Engagements by acceptances	560,153	275,041
Other liabilities	473,100	371,229
Provisions for risks and charges	246,929	227,393
Subordinated loans and similar debts	802,303	818,860
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	43,696,307	43,314,863
Shareholders' Equity - Group share		
Share capital - Common shares	442,840	442,840
Share capital - Preferred shares	6,647	6,647
Issue premium - Common shares	586,124	586,124
Issue premium - Preferred shares	593,353	593,353
Subsidiary shares warrants	-	8,377
Share capital and cash contribution to capital	48,150	48,150
Non-distributable reserves	1,340,085	1,273,497
Distributable reserves	286,718	285,695
Treasury shares	(6,152)	(6,019)
Retained earnings	968,370	829,131
Proposed dividends	-	-
Revaluation reserve of real estate	236,907	236,907
Other components of equity	(18,920)	(22,073)
Foreign currency translation reserve	(1,053,590)	(1,040,078)
Result of the period	249,922	499,675
Shareholders' equity - Group share	3,680,454	3,742,226
Non-controlling interest	129,789	144,188
Total shareholders' equity	3,810,243	3,886,414
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	47,506,550	47,201,277



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/6/2019 USD Thousands	30/6/2018 USD Thousands
Interest and similar income	1,733,915	1,508,053
Less: tax on interest income	(59,594)	(42,663)
Interest and similar income, net of tax	1,674,321	1,465,390
Interest and similar expense	(1,119,578)	(883,310)
Net interest margin	554,743	582,080
Fee and commission income	120,118	123,981
Fee and commission expense	(24,099)	(18,704)
Net fee and commission income	96,019	105,277
Net gain on financial assets or liabilities at fair value through profit and loss	26,961	32,539
Of which: interest income	1,659	4,840
Net gain on financial investments	1,948	10,159
Other operating income	3,564	10,066
Total operating income	683,235	740,121
Net provisions for credit losses	(70,078)	(59,688)
Net operating income	613,157	680,433
Personnel expenses	(175,604)	(188,798)
Other operating expenses	(94,686)	(121,206)
Depreciation of property and equipment	(28,910)	(20,900)
Amortisation of intangible assets	(7,091)	(7,750)
Impairment of goodwill and investments	-	-
Total operating expenses	(306,291)	(338,654)
Operating profit	306,866	341,779
Share of profit of associates under equity method	5,469	721
Net gain (loss) on disposal of other assets	(681)	141
Profit before tax	311,654	342,641
Income tax	(61,298)	(77,253)
Profit after tax	250,356	265,388
Result of discontinued operations, net of tax	-	-
Profit for the period	250,356	265,388
Minority share profit for the period	434	9,561
Group share profit for the period	249,922	255,827
Basic earnings per share USD	0.58	0.60
Basic earnings per share from continuing operations USD	0.58	0.60

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AMONG THE TOP REGIONAL BANKING GROUPS

LBP 71,616 billion in total assets as at 30/6/2019

consolidated activity highlights

IN LEBANESE POUNDS

AT END-JUNE 2019

- LBP 47,925 billion of total customers' deposits
- LBP 18,263 billion of total loans to customers
- LBP 5,744 billion of total shareholders' equity, of which LBP 4,613 billion of common shareholders' equity
- LBP 377 billion of net profits in the first half of 2019, of which LBP 265 billion of net profits generated from entities operating in Lebanon

Main Financial Indicators

- 84.3% of primary liquidity to customers' deposits ratio
- 19.3% of total capital adequacy ratio as per Basel III, of which 11.9% of CET1 ratio
- 7.1% of gross credit-impaired loans to gross loans ratio, covered up to 100% by specific provisions and real guarantees
- 2.1% of allowances for expected credit losses on performing loans (Stage 1 & 2) to net loans ratio post adoption of IFRS 9
- 14.3% of return on average common equity

A UNIVERSAL AND INNOVATIVE BANKING OFFERING
CATERING TO 1.1 MILLION CUSTOMERS SERVED THROUGH
203 BRANCHES AND 6,200 EMPLOYEES IN 11 COUNTRIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	30/6/2019 LBP Million	31/12/2018 LBP Million
ASSETS		
Cash and balances with central banks	28,252,378	24,793,682
Due from banks and financial institutions	2,118,036	3,843,626
Due from head office, sister, related banks and financial institutions	-	-
Loans to banks and financial institutions and reverse repurchase agreements	230,650	266,645
Financial assets given as collateral	-	-
Derivative financial instruments	309,398	419,749
Shares and participations at fair value through profit and loss	62,667	107,030
Debt instruments and other similar financial assets at fair value through profit and loss	321,467	113,092
Of which: net loans and advances at fair value through profit and loss	40,784	37,233
Shares and participations at fair value through other comprehensive income	64,071	73,645
Debt instruments and other similar financial assets at fair value through other comprehensive income	1,162,606	1,183,790
Net loans and advances to customers at amortised cost	18,107,064	19,846,966
Net loans and advances to related parties at amortised cost ⁽¹⁾	155,930	153,671
Debtors by acceptances	844,431	414,625
Debt instruments classified at amortised cost ⁽²⁾	17,831,748	18,003,797
Investments in associates	140,998	144,865
Assets taken in settlement of debts	280,304	193,721
Property and equipment	1,020,642	877,701
Intangible fixed assets	67,791	68,476
Non-current assets held for sale	-	-
Other assets	603,528	608,431
Goodwill	42,415	42,413
TOTAL ASSETS	71,616,124	71,155,925

⁽¹⁾ Loans granted to related parties against cash collateral amounted to LBP 110 billion.

⁽²⁾ Includes an amount of LBP 1,028 billion with risk ceded to customers.

	30/6/2019 LBP Million	31/12/2018 LBP Million
OFF-BALANCE SHEET		
Financing commitments		
- Financing commitments given to banks and financial institutions	426,672	420,241
- Financing commitments given to customers	4,598,539	4,756,412
Bank guarantees		
- Guarantees given to banks and financial institutions	92,474	94,674
Of which: credit derivatives	-	-
- Guarantees received from banks and financial institutions	299,097	337,393
Of which: credit derivatives	-	-
- Guarantees given to customers	1,969,534	2,049,663
- Guarantees received from customers	34,274,002	34,394,371
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	8,161,594	7,830,409
- Foreign currencies to deliver	8,186,210	7,861,941
Commitments on term financial instruments	10,151,411	12,173,399
Other commitments		
Claims from legal cases		
Fiduciary accounts	3,832,285	3,097,179
- Under specific instructions	3,738,248	3,027,837
- Under discretionary investments	94,037	69,342
Assets under management	14,906,490	15,230,861
Mutual funds	113,745	61,666
Structured financial products		
Engagement unlikely to be executed	-	-
Bad debts written off during the year	2,120	122,028

	30/6/2019 LBP Million	31/12/2018 LBP Million
LIABILITIES		
Due to central banks	12,376,940	11,919,990
Due to banks and financial institutions and repurchase agreement	1,789,820	2,184,991
Due to head office, sister, related banks and financial institutions	-	-
Derivative financial instruments	419,392	408,253
Financial liabilities at fair value through profit and loss	-	-
Of which: deposits at fair value through profit and loss	-	-
Customers' deposits	47,580,669	47,777,071
Deposits from related parties	343,849	396,114
Debt issued and other borrowed funds	222,168	59,258
Engagements by acceptances	844,431	414,625
Other liabilities	713,198	559,630
Provisions for risks and charges	372,246	342,794
Subordinated loans and similar debts	1,209,472	1,234,431
Non-current liabilities held for sale	-	-
TOTAL LIABILITIES	65,872,185	65,297,157
Shareholders' Equity - Group share		
Share capital - Common shares	667,581	667,581
Share capital - Preferred shares	10,020	10,020
Issue premium - Common shares	883,582	883,582
Issue premium - Preferred shares	894,480	894,480
Subsidiary shares warrants	-	12,629
Share capital and cash contribution to capital	72,586	72,586
Non-distributable reserves	2,020,178	1,919,796
Distributable reserves	432,227	430,685
Treasury shares	(9,273)	(9,073)
Retained earnings	1,459,818	1,249,915
Proposed dividends	-	-
Revaluation reserve of real estate	357,137	357,137
Other components of equity	(28,522)	(33,276)
Foreign currency translation reserve	(1,588,289)	(1,567,917)
Result of the period	376,757	753,260
Shareholders' equity - Group share	5,548,282	5,641,405
Non-controlling interest	195,657	217,363
Total shareholders' equity	5,743,939	5,858,768
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	71,616,124	71,155,925



CONSOLIDATED INCOME STATEMENT (UNAUDITED)

	30/6/2019 LBP Million	30/6/2018 LBP Million
Interest and similar income	2,613,876	2,273,390
Less: tax on interest income	(89,838)	(64,315)
Interest and similar income, net of tax	2,524,038	2,209,075
Interest and similar expense	(1,687,764)	(1,331,590)
Net interest margin	836,274	877,485
Fee and commission income	181,081	186,902
Fee and commission expense	(36,330)	(28,196)
Net fee and commission income	144,751	158,706
Net gain on financial assets or liabilities at fair value through profit and loss	40,643	49,052
Of which: interest income	2,501	7,296
Net gain on financial investments	2,936	15,314
Other operating income	5,373	15,174
Total operating income	1,029,977	1,115,731
Net provisions for credit losses	(105,641)	(89,979)
Net operating income	924,336	1,025,752
Personnel expenses	(264,724)	(284,613)
Other operating expenses	(142,739)	(182,718)
Depreciation of property and equipment	(43,582)	(31,506)
Amortisation of intangible assets	(10,690)	(11,683)
Impairment of goodwill and investments	-	-
Total operating expenses	(461,735)	(510,520)
Operating profit	462,601	515,232
Share of profit of associates under equity method	8,245	1,087
Net gain (loss) on disposal of other assets	(1,027)	213
Profit before tax	469,819	516,532
Income tax	(92,407)	(116,458)
Profit after tax	377,412	400,074
Result of discontinued operations, net of tax	-	-
Profit for the period	377,412	400,074
Minority share profit for the period	655	14,413
Group share profit for the period	376,757	385,661
Basic earnings per share LBP	869	897
Basic earnings per share from continuing operations LBP	869	897

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- AUDI CAPITAL (KSA) cjsc
- BANK AUDI LLC (Qatar)
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