Press Release

Bank Audi Consolidated Activity Highlights as at End-March 2017

Beirut, April 27, 2017

- **US$ 43.9 billion of assets**
- **US$ 36.0 billion of customers' deposits**
- **US$ 17.0 billion of loans to customers**
- **US$ 3.8 billion of shareholders' equity**
- **US$ 110 million of net profits in the first quarter of 2017,** of which 23% from Odea Bank and 10% from Bank Audi Egypt, raising the contribution of entities abroad to consolidated net profits to 45%.

The Lebanese economy witnessed a slight improvement in the first quarter of 2017 relative to the same period of 2016, as confirmed by the real sector indicators. The 11% growth in real imports in the first two months, adjusted for currency fluctuations and oil prices, suggests an improving demand for goods, as imports represent 36% of GDP in Lebanon. In parallel, financial inflows reported a 57% growth in the first two months of 2017 relative to the same period of 2016, turning the deficit in the balance of payments then to a net surplus of US$ 509 million. Subsequently, bank deposits, the main driver of banking activity in Lebanon, registered a rise of US$ 1.4 billion over the first two months of 2017, against a net contraction in the same period of 2016.

In the MENA region, where Bank Audi has a wide presence, the near term outlook is mixed with weakening outlook for oil exporters and slightly improving outlook for oil importers. In Egypt in particular, comprehensive reforms are expected to support economic growth, with real GDP growth expected to be lifted to 3.5% in 2017 and 4.5% in 2018, as per the IMF Global Economic Outlook issued this week. In Turkey, after a slowdown in growth in the third quarter of 2016 to negative territories, a modest acceleration in activity is projected for this year and next, with growth reaching 2.5% in 2017 and 3.3% in 2018 as per the new IMF forecast based on stronger net exports and a moderate fiscal stimulus to boost domestic demand. Within the same context, the aftermath of the referendum may pave the way for the necessary economic reforms now that the political environment has been stabilized, as highlighted by international rating agencies, with the removal of political uncertainty likely to improve Turkey's investment environment, address structural deficiencies and reduce external vulnerabilities at large.

Within this context, Bank Audi achieved US$ 110 million of consolidated net profits in the first quarter of 2017, a similar level than that realized in the corresponding period of 2016. Notwithstanding, the breakdown of those profits over the various entities of the Group shows a 45% contribution from entities outside Lebanon, of which 23% from Odea Bank, whereby Odea Bank's net profits reached US$ 26 million in the first quarter of 2017 as compared to US$ 69 million achieved in full year 2016, underscoring an exponential growth of net profits. The latter are net of provisions and taxes and have been realized on the backdrop of a cost to income ratio of 47% and a gross doubtful to gross loans ratio of 3%, witnessing clearly to a good financial position for the subsidiary in Turkey. In parallel, consolidated assets sustained at end-March 2017 almost the same level as at end-December 2016, reaching US$ 43.9 billion, of which 42% from entities outside Lebanon.

In details:

- Consolidated assets of Bank Audi reached US$ 43.9 billion at end-March 2017 as compared to US$ 44.3 billion as at end-December 2016. In parallel, assets under management, encompassing assets under management, fiduciary deposits and custody accounts, increased from US$ 10.8 billion as at end-December 2016 to US$ 11.2 billion as at end-March 2017. Accordingly, the Bank's consolidated footings increased to US$ 66.3 billion, of which 54% from entities outside Lebanon. The latter sustains Bank Audi's ranking among the top Arab banking groups.

- In parallel, consolidated customers' deposits amounted to US$ 36.0 billion at end-March 2016, of which 38% from entities outside Lebanon. Consolidated net loans reached US$ 17.0 billion, of which 65% from entities outside Lebanon, translating into a loans to deposits ratio of 47.2% as at end-March 2017.

- At end-March 2017, consolidated shareholders' equity increased to US$ 3.8 billion, of which US$ 3.2 billion of core common shareholders' equity. Subsequently, the Bank's capital adequacy ratio as per Basel III stood at 14.6%, of which 9.1% of core equity tier one ratio.

- Despite the weakening and uncertain regional environment, gross doubtful loans continued to represent 2.7% only of gross loans at end-March 2017, a level considered low when compared to the sector averages in the MENA region (3.٣%), emerging markets (7.2%) and the world (7.4%). At the level of the Group's main entities, in Lebanon, Turkey and Egypt, the ratio of gross doubtful loans to gross loans reached 2.5%, 3.٠% and 1.4% respectively as compared to averages of 3.6% in the Lebanese banking sector, 3.3% in the Turkish banking sector and 5.8% in the Egyptian banking sector, underscoring the credit quality in those entities. In the first quarter of 2017, General Management allocated US$ 28 million of consolidated loan loss provisions, whereby the coverage ratio of doubtful loans by specific provisions reached 66.4% at end-March 2017, and 10٣% when including real guarantees. On the other hand, collective provisions amounted to US$ 418 million, representing 2.5% of consolidated net loans, as compared to an average of 0.9% for banks in the MENA region.

- 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 57.7%.

- Bank Audi's consolidated net earnings after provisions and taxes reached US$ 110 million in the first quarter of 2017, the same level as in the first quarter of 2016. Based on such results, the Bank's return on average assets ratio reached 1%, while the return on average common equity registered 13.5%.

- Bank Audi's Management had resolved to sell the Bank's cards and electronic payment business, adopting a common practice in big corporations, particularly in this sector. This transaction would allow the Bank to concentrate more on business development and sales, while enhancing customer service and streamlining all operations between Retail products and Cards.

In conclusion, the Bank's results in the first quarter of 2017 confirm the Group's strategic choices and orientations that combine both reinforcing operating conditions and developing the business activity in the Group's pillar markets of presence. The Bank continues to be committed to provide innovative universal banking products and services, offered to 1.1 million of individual and corporate customers served through a network of 203 branches and a staff count of 7 thousands employees.

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