Press Release

Bank Audi Consolidated Activity Highlights as at End-March 2018

Beirut, April 26, 2018

- **US$ 43.5 billion of assets**
- **US$ 32.2 billion of customers' deposits**
- **US$ 15.6 billion of loans to customers**
- **US$ 4.3 billion of shareholders' equity**
- **US$ 114 million of net profits in the first quarter of 2018,** of which **42%** from entities outside Lebanon

While the first quarter of this year reported a continuing low growth in the real sector of the economy, the quarter ended with a glimpse of hope for a potential economic recovery, driven by the successful CEDRE conference for Lebanon that raised US$ 11.5 billion of international pledges to finance the country's infrastructural rehabilitation. It is widely believed that the aid package is credit positive for Lebanon because it supports the resumption of public investment albeit it remains subject to the execution of the reforms that the Lebanese government has committed to.

In the Middle East & North Africa region, where Bank Audi has a large presence, growth is projected to increase from 2.2% in 2017 to 3.2% in 2018 amid higher oil prices and a slight improvement in security conditions. Growth in Egypt, one of the main market of presence in the region, is projected to rise to 5.2% in 2018, reflecting stronger momentum in domestic demand and the effect of structural reforms. In Turkey, the other important market of presence for Bank Audi, growth has reported a robust 7.4% in 2017, with continuing robust real sector performance in the first quarter of this year, but monetary pressures accentuated on the back of a strong correlation between growth rates and current account deficits and within the challenging regional environment, generating a 5.6% depreciation of the national currency in the first quarter of the year.

Within this context, Bank Audi sal achieved a good performance in the first quarter of 2018, with consolidated unaudited net profits of US$ 114 million, as compared to 110 million in the first quarter of 2017, broken down over 58% in Lebanese entities and 42% in entities outside Lebanon (of which 17% from Odea Bank in Turkey and 12% from Bank Audi Egypt). Those results were realised following an allocation of US$ 27 million of consolidated net loan loss provisions. This performance is in line with the budget for the period while General Management continues to adopt a comprehensive performance management scheme across entities aiming at sustaining spreads, improving non-interest income and generating cost savings. Such a policy translated into a further reinforcement of the Group's financial standing, as witnessed by a 68.2% primary liquidity to customers' deposits ratio, a 3.8% gross doubtful loans to gross loans ratio, a 17.9% capital adequacy ratio and a 50.8% cost to income ratio.

In details:

- Consolidated assets reached US$ 43.5 billion at end-March 2018 and US$ 55.3 billion when accounting for fiduciary deposits, security accounts and assets under management, sustaining Bank Audi's ranking at the forefront of the Lebanese banking sector and among the top 20 Arab banking groups. Consolidated assets decreased by US$ 269 million relative to end-December 2017, an evolution justified principally by the devaluation of the Turkish Lira against the US Dollar by 5.6% over the same period translating into a negative impact of US$ 244 million.

- Consolidated customers' deposits amounted to US$ 32.2 billion at end-March 2018, of which 35.1% from entities outside Lebanon. In parallel, consolidated net loans reached US$ 15.6 billion, of which 57.8% from entities outside Lebanon, thus sustaining the loans to deposits ratio at its year-end-2017 level, with 48.4% at end-March 2018.

- Consolidated shareholders' equity increased to US$ 4.3 billion, of which US$ 3.5 billion of core common shareholders' equity. In parallel, the Bank's capital adequacy ratio as per Basel III improved from 16.9% at end-December 2017 at 17.9% at end-March 2018. This development is attributed to an increase in core equity ratio (CET1) from 10.5% to 10.8% over the same period, combined with an increase in the tier two ratio by 0.7% to 4% at end-March 2018, following the inclusion of general provisions as per applicable regulations.

- Consolidated gross doubtful loans continued to represent 3.8% of gross loans at end-March 2018, with the coverage ratio of those loans by specific provisions and real guarantees reaching 106% at the same date, of which 61% by specific provisions. In parallel, consolidated collective provisions amounted to US$ 287 million, of which US$ 218 million on loans and advances, representing 1.3% of net loans.

- Primary liquidity placed with central banks and foreign banks continued to increase to reach US$ 22 billion as at end-March 2018, representing 68.2% of customers' deposits, a high level when compared to regional and global averages.

- In parallel, consolidated general operating expenses contracted by 11.1%, from US$ 197 million in the first quarter of 2017 to US$ 176 million in the first quarter of 2018, as a result of a number of efficiency enhancement initiatives taken by General management at the end of 2017. Accordingly, the overall financial efficiency of the Group strengthened, with the cost to income ratio improving from 54.2% in the first quarter of 2017 to 50.8% in the first quarter of 2018.

- Based on such results, the Bank's return on average assets ratio was sustained at its 2017 level registering 1.1%, while the return on average common equity reported 12%. In parallel, the common book per share increased to US$ 8.21, while the earnings per common share reached US$ 1.01 on an annualised basis.

In conclusion, the Bank's results in the first quarter of 2018 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 both depositors and shareholders. The Bank continues to be committed to provide innovative universal banking products and services so as to fulfill the varying needs of individual and corporate customers in the region of Middle East, North Africa and Turkey.

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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