



بنك بيروت
Bank of Beirut
Banking Beyond Borders

Investors' Newsletter

S1 Report for Year 2015





► Our Chairman Speaking Strategy

► Bank of Beirut profit growth drivers in 2014

Our consolidated profits in 2014 reached USD 176 million, a 20.91% growth over the previous year. Total assets increased by 9.53% to reach USD 14.9 billion. The main drivers of the outstanding growth was the increase in operating income of around USD 58 million, coupled with efficient cost control and low credit risk cost. The back bone of the sustainable profit increase was the quality growth across all main financial indicators. However, most importantly, is to expand our business while adopting a conservative Risk Management approach and maintaining a high level of capitalization. The conservation of liquidity via a diversified and stable funding base has been the Bank's sound policy.

Net non-performing loans over total assets registered 0.29%, earning us the top spot in Loan Quality Ratios among peers. Bank of Beirut's consolidated equity expanded to USD 1.815 billion, an increase of 19% compared to 2013 year-end. Bank of Beirut reflected the highest capitalization level among peer group of banks, recording an equity-to-asset ratio of 12.17%. We are relying on our customers' trust in view of our high solvency and service quality to expand our asset base organically.

► Foreign profit growth compared to domestic growth

Our foreign entities have greatly contributed to the increase in consolidated profits during 2014. In fact, our revenue from "foreign-related

operations" stands now at around 38% of the total sum, however, our medium-term objective is to reach 50%. The successful strategy in expanding abroad into investment grade countries enjoying political, economic and social stability (UK, Australia, Germany, and Sultanate of Oman) has remarkably contributed to higher asset quality and more diversified income stream as compared to peer group banks. As for the future, we expect to increase the share of net profits from our existing foreign entities in compliance with our stated objectives. Moreover, we have identified opportunities in the African region which we intend to explore in order to determine the very best long-term opportunities in a risk-managed manner, to the maximum benefit of our stakeholders.

► Strategy behind the growth

During the last two decades, we have achieved higher-than-sector average profit. We have demonstrated aggressive, yet sustainable increase in size and profitability, both in local and foreign markets.

Achieving this consistent high level of growth is the reward of successful strategies adopted by the Board of Directors, combined with well-focused proficient Management. Bank of Beirut is genuinely customer-centric and this differentiates us from the bulk of the competition. We translate our strategies into a wide variety of services and products that are customized to our customers' needs and that contributes to higher net income and more efficient and effective results keeping the client's satisfaction as a priority.

We will keep aligning our strategies to show consistency in our trend in net income to preserve the shareholder's trust and to attract potential investors.

► Lending Strategy

Our leading position for many years for best Loan portfolio quality Key Indicators is not a coincidence. In fact, when it comes to lending, both in retail and in commercial, we have strict conservative risk policies established by the Board of Directors in addition to an experienced competent well versed team in

enhanced information technology tools. Our policies include strict lending limit per borrower and per economic sector across the countries of presence.

► Profitability Outlook

The Lebanese banking sector has proved over the years great resilience against all challenges that confronted the country and the region. The Sector and BOB have sustained a growing stride and improved profitability during unstable phases, including the financial crisis in 2008. This is due to the Lebanese Banker's unconventional educational profile and extensive experience on one hand, coupled with the outstanding performance of the Central Bank of Lebanon's enforcement of progressed regulations promptly to prevent systemic disturbances in the system on the other hand. In Lebanon, the banking sector's safety is extremely crucial as it plays a vital role in supporting the country's economic, monetary and social stability. On the other hand, we believe that the expected changes in global interest rates shall have an impact on the local banks' profitability; however, we presume the interest rate fluctuations will be smooth in time and quantity. We are also confident that the local market mechanisms will help the banks to capably absorb any negative impact.

"BOB LBP Growth Fund"

Stay conservative in today's uncertain markets, invest in our funds



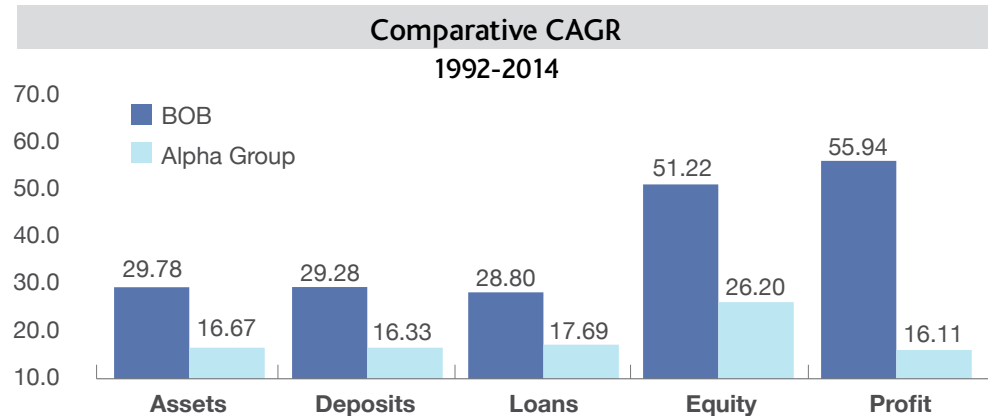
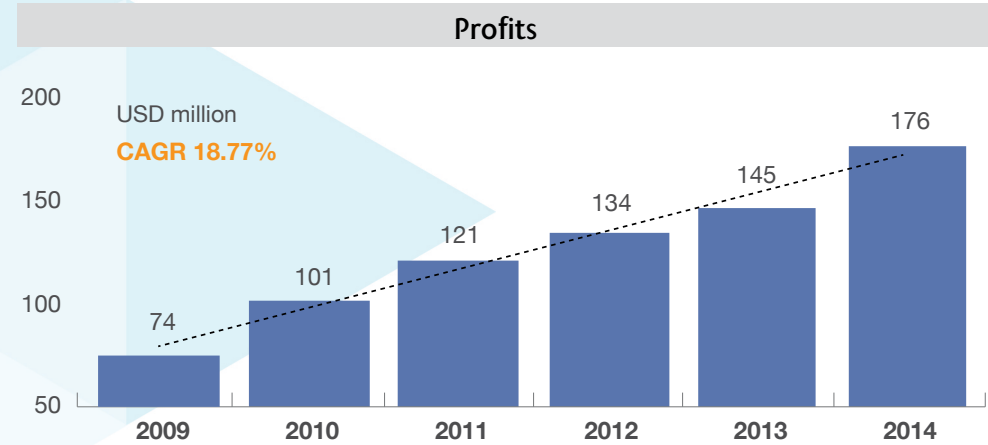
▶ Year 2014 Performance Overview

Despite the economic slowdown in Lebanon, Bank of Beirut strengthened its franchise through good average growth in total assets and deposits underpinned by good performance of its international business and sustained growth within the Lebanese market. Over the years, the Bank has built an international presence which supports its ability to be the leading trade finance bank in the country and to cater to Lebanese expatriate communities. The gross income and profit at both the operating and net levels increased at a faster rate relative to the peer.

The achieved growth has been in line with the long-term strategy adopted by the Bank to diversify its business activities towards a universal banking model and to expand regionally and internationally in profitable and relatively low-risk countries.

The performance was characterized by remarkable growth in all main financial indicators. Capitalizing on the large branch network and the diversified product range, the Bank has achieved gains in market shares in both commercial and retail businesses, while maintaining its position as a leader in the Trade Finance line of business.

On consolidated basis, the Bank's total assets reached as at 31 December 2014 USD 14.9 billion, growing by 9.53% year-on-year. The growth in size was mainly funded by the growth in deposits and equity.



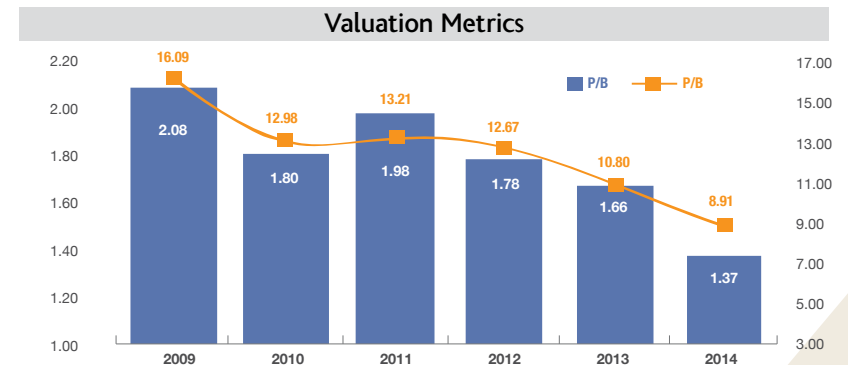
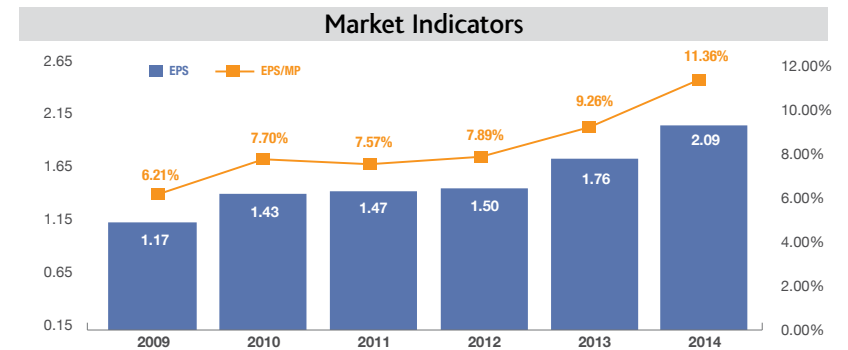
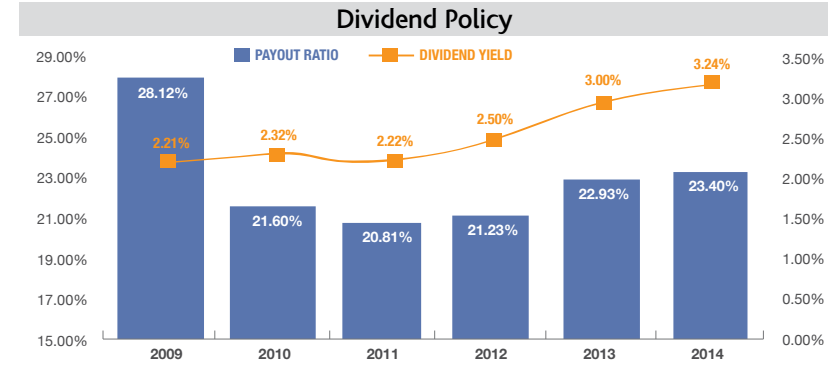
Dividends

The Ordinary General Assembly (OGM) has resolved, during its meeting held on 24 April 2015, a cash dividend per common share (DPS) at the level of LBP 900, which is higher by 4.77% over last year Dividend per Share. The year 2014 DPS upgraded the dividend yield to 3.24%, as compared to 3.00% in 2013.

The OGM has also resolved the distribution of priority dividends on priority shares based on the rate of 4% of the issue price for the period from 8/9/2014 (closing date of the priority shares issue) and year-end 2014.

In addition, the OGM resolved the distribution of dividends on preferred shares as follows:

Description (in USD)	Numbers of Shares	Issue Value USD	Dividend Rate	Dividends Paid	Dividend per share
Preferred Shares Series "E"	2,400,000	60,000,000	8.00%	4,800,000	2.00
Preferred Shares Series "F"	3,000,000	75,000,000	8.00%	6,000,000	2.00
Preferred Shares Series "G"	3,570,000	124,950,000	6.75%	8,434,125	2.36
Preferred Shares Series "H"	5,400,000	135,000,000	7.00%	9,450,000	1.75
Preferred Shares Series "I"	5,000,000	125,000,000	6.75%	8,437,500	1.69
Total	19,370,000	519,950,000		37,121,625	



► Beyond The Treasury



In our cash and liquidity focused business environment, transparency, standardizations and efficiency are dominant.

As a result, many organizations look to Straight-through processing (STP) to boost efficiencies across the supply chain in order to achieve these goals

In this context, Bank of Beirut was granted the CITI 2014 STP Award, in recognition of the bank's excellent quality and accuracy in delivering commercial payments and processing transactions and the Standard Chartered STP excellence Award in recognition of the bank's excellent quality in delivering commercial payments and processing transactions in USD for 2014

STP denotes that the payments sent to the bank for clearing by its correspondents are being processed automatically without additional



manual intervention. The greater the STP rate, the more efficient and cost effective the payment processing is.

These awards are annually given to the best banks by their main USD clearer to recognize their success in formatting foreign currency payments.

Being recognized with these awards is a clear sign that our bank has tested international STP electronic payment services and meets stringent correspondent banking and processing accuracy criteria. It recognises the high-level of operational efficiency that we focus on at Bank of Beirut.

With our experienced personnel and strong IT infrastructure and delivery channels, we are well-positioned to continue providing the highest quality service to all our individual and institutional customers.

► Three New Branches Opened

Bank of Beirut recently unwrapped three new branches located in three different Lebanese areas **Achrafieh Ataya**, **Batroun** and **Baabda**,

By expanding its branch network, Bank of Beirut contributes to the development of the region, and offers its citizens quality products and services tailored to their needs and capabilities, proving once more to be at the service of its clients, wherever they are.

It also emphasizes the bank's growing commitment to its origin country and its determination to support and participate in the development of the Lebanese financial sector.



▶ Beirut Port Bills Online Payment

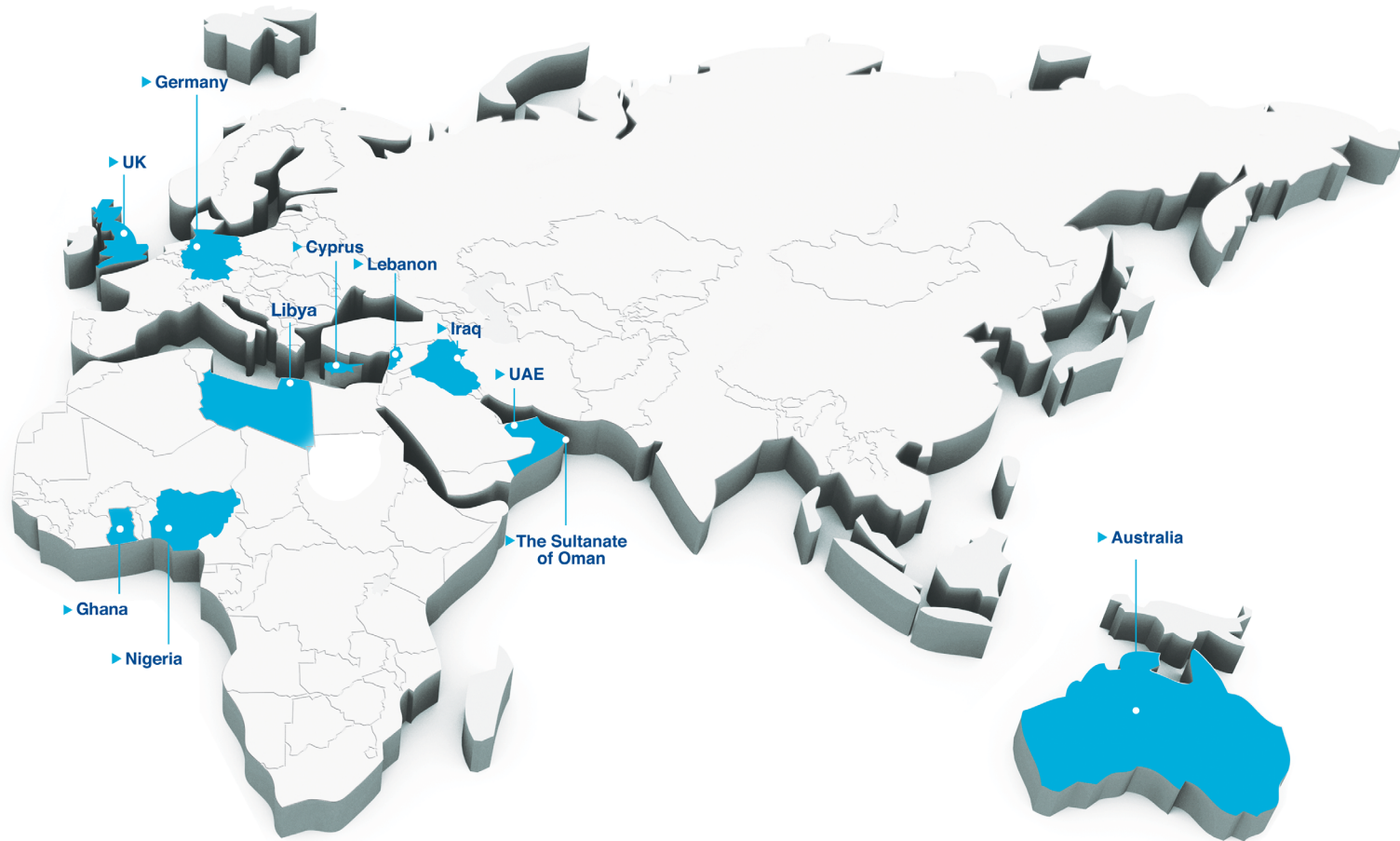


When you own a business, it may feel like there is never enough hours in the day to get everything done. But managing your business finances is much easier and quicker with Bank of Beirut Business Online Banking as you can access your accounts anywhere and anytime.

You can transfer money between your accounts or other Bank of Beirut accounts, wire money locally and internationally, Settle your Port Bills Online, open and amend letters of credits, request letters of guarantee, Banker Cheques and cheque books.

When your business relies on importing goods and merchants, you waste so much time paying the Port bills and settling custom fees for merchandise clearance.

Not anymore! Now you can pay your Port Bills with a click. Port of Beirut will be instantly notified about the payment and the goods will be cleared for pick up. All you have to do is log in to the Business Online Banking platform, enter your bill details, and settle the amount anytime by selecting which account you want to charge. For more details watch our Tutorial.



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