



بنك بيروت
Bank of Beirut
Banking Beyond Borders

Investors' Newsletter

Q2 Report for Year 2014



► Message from the Chairman & CEO Salim G. Sfeir

► Milestones Set, Challenges Met

I am pleased to report that, once again, Bank of Beirut demonstrated another year of profitable growth. In 2013, we celebrated the 50th anniversary of our bank's founding, extending our strong track record of creating exceptional shareholder value despite a challenging market environment. It is particularly noteworthy that we delivered profitable results in every quarter of 2013, overcoming significant economic and political volatility in Lebanon.

These solid results corroborate our Group's underlying strengths and ability to execute on our plan.

Our expanded product and geographic scope contributed to an excellent overall performance. Ten years ago, more than 90% of our revenue and income was generated in Lebanon.

At 2013 fiscal year-end, 30.8% of our revenue and income was produced outside of Lebanon. Our consistent investments in people, technology, competitive product differentiation, geographical diversification and customer - focus continue to pay off.

There is however an additional factor behind our steady record of growth in earnings, and that is Bank of Beirut's fundamental value system. Our value system is centered on prudent lending and highly disciplined balance sheet and acquisition practices. The benefits of these factors are evident across our key performance metrics.

► Performance Highlights

Net Profits: increased 8.64% to LBP219billion. This increase was distributed across the Bank's geographic and product matrix. Bank of Beirut in Lebanon, up 17.70%; Bank of Sydney Ltd, 3.97%; Beirut Life, 29.07% and BOB Finance 142.81%.

Assets: grew by 17.81% (LBP3.104trillion) to LBP20.527trillion, representing 7.72% of peer group market share.

Deposits: rose 15.40% (LBP2.075trillion) to a new peak of LBP15.545trillion.

Lending: The Bank generated LBP5.722trillion in loans, a growth of LBP505billion (9.68%) over the previous year. And still we were at the top



of our peer group banks in loan portfolio quality ratios owing to rigorous risk management practices. Net non-performing loans over total assets shrunk to a low of 0.14% from 0.19% in the previous year, an important key performance indicator.

Liquidity: In 2013 through diversified and stable funding, total liquid assets to total liabilities stood at 79.52% , up from 77.03% in 2012.

Trade finance: USD5.562billion in Letters of Credit were opened in 2013, comprising an

enviable peer group market share of 29.57%, extending our number 1 position in trade finance in Lebanon for an unparalleled sixth year in a row.

Capitalization: Bank of Beirut delivered the highest capitalization levels in its peer group, capturing the number 1 spot among Alpha banks, while recording an equity-to-asset ratio of 11.19%. Under Basel III, our Capital Adequacy Ratio stood at 13.37%, exceeding the minimum requisite of 10.50%

► Shareholder Value Highlights

Share price: closed at fiscal year-end LBP28,643, reflecting a 10.80 Price to Earnings Ratio and a very healthy 7.04% price-to assets ratio, one of the lowest in the market.

Equity: consolidated equity up by LBP164billion to LBP2.298trillion, an increase of 7.68% compared to 2012 year-end.

Dividends: dividends per common share were LBP859, eclipsing last year's figure by 19.97% with our dividend yield increasing to 3.00% vs. 2.50% in 2012.

ROACE: Return on Average Common Equity 15.84% (14.58% in 2012).

ROAA: Return on Average Assets 1.16%. (1.24% in 2012)

Efficiency ratio: Cost-to-Income, one of the best within our peer group, at 47.33%, despite Bank of Beirut's strategic HR growth of 5.36% to 1,611 employees.

► Additional Financial Year Highlights:

We launched a totally new, unprecedented loyalty program with a signature flexible **CASHBACK**® scheme. In addition to accumulating Bank of Beirut credit or debit card points, our customers will now earn rewards for opening accounts, activating mobile or online accounts, obtaining loans, domiciling salaries, signing or sending transfers, and subscribing to additional Bank of Beirut Group products. Point redemptions can translate into cash, but customers may also opt for mobile talk time, Lotto, even megabytes for phone data. Bank of Beirut's universal **"Cashback on Everything"** is a first in Lebanon.

Furthermore, the Bank introduced the next-generation of Automated Teller Machines, offering instant cash and check deposits. We launched our first virtual **"B Smart"** branch, at the Foch Head Office, fully equipped to welcome customers 24/7 providing a full array of conventional in-branch services. Bank of Beirut B Smart customers can now open accounts, receive on-the-spot deposit cards,

and connect with our Call Center via live video conference at any time of the day.



Our online and mobile product suites were also enhanced. Bank of Beirut customers can now utilize Western Union's Account-Based Money Transfer (ABMT) online, an exceptional service within the entire Middle East. In corporate online banking, a pay card solution and electronic payroll services have been introduced offering value-added solutions for working capital management to our institutional and corporate clients.

While we are present through almost 1,000 Western Union outlets in Lebanon, we continue our progress in the digital economy, including the creation of Google Play and App Store digital bank profiles – once again, a first among Lebanese banks.

During 2013, Bank of Beirut took the lead in super-affluent net worth specific services in Lebanon; an honor recognized by the Euromoney Private Banking and Wealth Management Survey. Our Bank also received the Zawya Funds Ranking Award for superior achievement for two Bank of Beirut funds delivering the best performance over a period of three years.

► Corporate Social Responsibility



In 2013, we continued our commitment to Corporate Social Responsibility. Bank of Beirut was selected among 68 regional banks as the recipient of the **"Best CSR Initiative"** award by The Banker magazine, in recognition of our exemplary Young Achievers Program (YAP) and the new talents and creativity it helps to advocate.

Anticipating 2014

While 2013 marked our 50th anniversary; we are now working towards the next significant milestone. We can take pride in our performance for 2013, but this does not mean that we will rest on our laurels. We are mindful that we must continuously work to improve our array of services, our market penetration and our operating efficiencies.

...Bank of Beirut Group is on course to expand locally and regionally through more than 100 strategic business units on 4 continents.

We recognize that our future success has to be backed by unique personal services, banking skills, local and international expertise, as well as consistent financial results in order to retain and attract long term customers.

Increasing trade relations between the Middle East and Australia, where we own Bank of Sydney, will be a key focus for our Group in the future. With a background of liberalization in the Middle East, Australia's leadership has shown a tangible commitment to building trade relations in that region. The projections for Foreign Direct Investments are also impressive. As bankers, our success is a direct reflection

of the quality of our loan portfolio. Quality lending opportunities are in fact increasing in this expanding sphere and Bank of Sydney is now one of the best capitalized banks in Australia, with a capital adequacy ratio in excess of 23%.

We can take pride in having successfully navigated the political and economic uncertainties burdening our country over the last years. Our mandate and our strategic plan prioritize the international markets where we do business. Our successes in 2013 are a testament to our core values and the trust that our customers have instilled in us – trust in our services, trust in our senior management, trust in our staff and trust in our value system.

In closing, I wish to sincerely thank all our employees for their dedication and hard work and to thank our shareholders and stakeholders for your trust and continued support. In the years ahead we are committed to remain worthy of your trust.

Salim G. SFEIR



► 2014 Awards

Bank of Beirut has proved constantly to be a pioneer and a leader in its field. These recognition and achievement on 2013 performance are an incentive to exert additional efforts for achieving further accomplishments in the future to maintain Bank of Beirut as one of the leading banks in Lebanon.



Bank of Beirut was recognized for being the **"Fastest growing Bank in Lebanon"** by Banker Middle East, the leading and esteemed banking industry magazine. This award is a testament to Bank of Beirut's commitment and pioneering efforts to expand its business.



Bank of Beirut was granted the Commerzbank **"Straight Through Processing (STP) Award"** for the second consecutive year, A distinction from one of Germany's largest and renowned banks in recognition of the Bank's excellent quality in delivering commercial payments and processing transactions.



Being Among the 25 financial institutions acknowledged as IFC's best partners in trade and supply chain finance for 2013, Bank of Beirut was recognised as the **Best Issuing Bank Partner in Middle East and North Africa in 2013** by IFC, member of the World Bank Group.

▶ Bank of Beirut now in Sadat and Jbeil!

Bank of Beirut has opened 2 new branches located in Sadat and in Jbeil. By extending its network, Bank of Beirut continues to serve its customers beyond borders and to provide them with a second-to-none service. Both branches are also available during extended working hours, from 8:30am until 7:00pm on weekdays and until noon on Saturdays. Additionally, apart from the Sadat branch being your usual branch, it also boasts a training room that offers sessions on Banking to LAU and AUB students. 20 to 25 top senior

students will be recruited via online applications and will be offered 24 sessions/semester including: an introduction to banking, general banking knowledge, the practical side of banking, selling skills, and an introduction to asset management and capital markets.

Bank of Beirut has one more time proved that Growing Together is Growing Beyond Borders.



About Us

Corporate Data (As at 30/06/2014)

Company Name

Bank of Beirut s.a.l

Establishment Date

August 19, 1963

Market Capitalization

USD 959 Million

Ticker

BOB.BY

Number of Branches

82

Number of Employees

1678

Network (As at 30/06/2014)



Share Data (As at 30/06/2014)

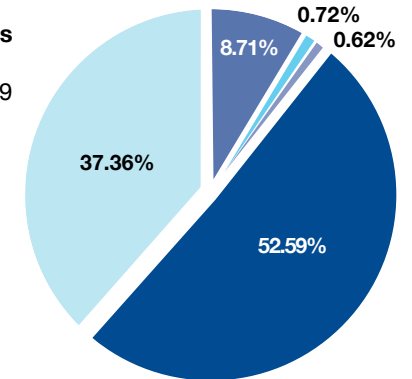
> Number of shares and shareholders

Number of shares: 50 467 400

Number of common shareholders: 399

> Shareholder Composition

- Not BoB Client
- Bank and Financial Institution
- Corporation & Organization
- Individual
- Treasury shares



Board Membership (As at 30/06/2014)

Salim G. Sfeir - Chairman & CEO

Fawaz M. H. Naboulsi - Deputy CEO

Adib S. Millet - Vice Chairman

Antoine A. Abdel Massih - Member

H.E. Anwar M. El Khalil - Member

Emirates NBD Bank P.J.S.C. represented by **Mrs Loubna Kassem** - Member

Rashed Al Rashed - Member

Antoine Y. Wakim - Member

Krikor S. Sadikian - Member

Contact us:

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