




بنك بيروت  
Bank of Beirut



# Banking Beyond Borders

## Roadmap for success

# BANK OF BEIRUT AT A GLANCE

## OUR FINANCIAL MODEL

- One of the **best growth stories** in the Lebanese banking sector
- **Ranks 1<sup>st</sup>** in: Trade Finance, Asset Quality, Capitalization\*
- **Ranks 3<sup>rd</sup>** in Net Profit
- **Ranks 4<sup>th</sup>** in Equity
- **Ranks 7<sup>th</sup>** in Total Assets

*\* Equity to Asset Ratio*

*Source: Bankdata publications for Q4-2014*

## OUR PROSPECTS FOR DEVELOPMENT

- Offering **all retail, commercial and global markets banking services**
- **Leading role** in the Lebanese banking sector
- **Present in 12 countries in 4 continents:** Lebanon, 5 representative offices, office in allied bank premises, direct presence in 5 countries, of which 3 AAA rated and 1 A+ rated



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Bank of Beirut



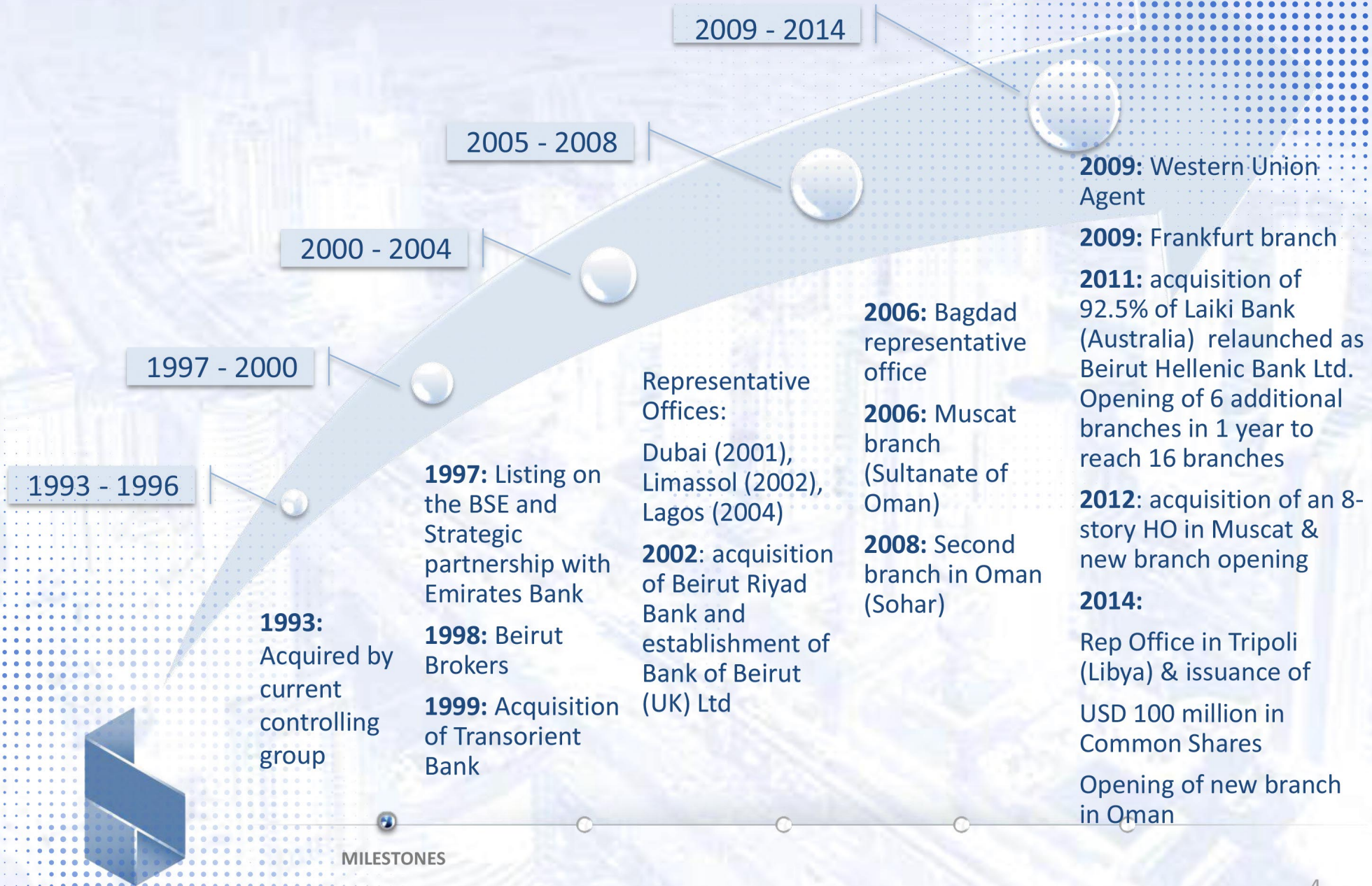
# MILESTONES



Milestones  
Performance  
Leadership Metrics  
Action Roadmap



# Milestones



MILESTONES



# DOMESTIC EXPANSION: Ongoing since 1993

## Local Branch Network Acquisitions

- Banque Libano-Brésilienne (4 branches, 1994)
- Mebco Bank S A L (5 branches, 1998)
- Al Madina (11 branches, 2008)

## Domestic Bank Mergers

- Transorient Bank S A L (14 branches, assets US\$ 427 Million, 1998)
- Beirut Riyad Bank S A L (11 branches, assets US\$ 566 Million, 2002)



MILESTONES



# INTERNATIONAL EXPANSION: Ongoing since 2001

## Representative Offices

UAE, Nigeria, Iraq, Libya, Ghana

## Branches Abroad

Cyprus, Oman, Germany

## Subsidiary Banks

- Bank of Beirut (UK) Ltd
- Bank of Sydney (AUS)



MILESTONES



# Bank of Beirut Group

## Bank of Beirut SAL

### Branches

Lebanon  
*62 branches*

Sultanate of Oman  
*4 branches*

Cyprus  
*1 branch (Limassol)*

### Rep offices

UAE (Dubai)

Nigeria (Lagos)

Iraq (Baghdad)

Libya (Tripoli)

Ghana (Accra)

### Subsidiaries

100%  
Bank of Sydney Ltd.  
*16 branches*

100%  
Bank of Beirut (UK) Ltd.  
*London & Frankfurt*

100%  
Bank of Beirut Invest SAL  
*Investment Bank*

100%  
BOB Finance SAL  
*Financial Institution*

100%  
Beirut Broker Co. SARL  
*Insurance brokerage firm*

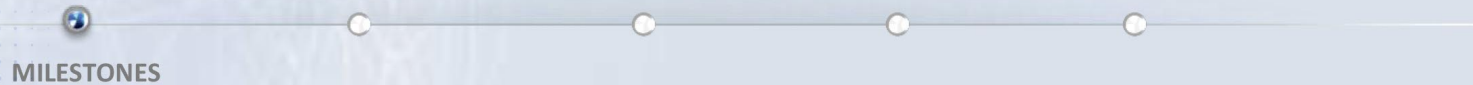
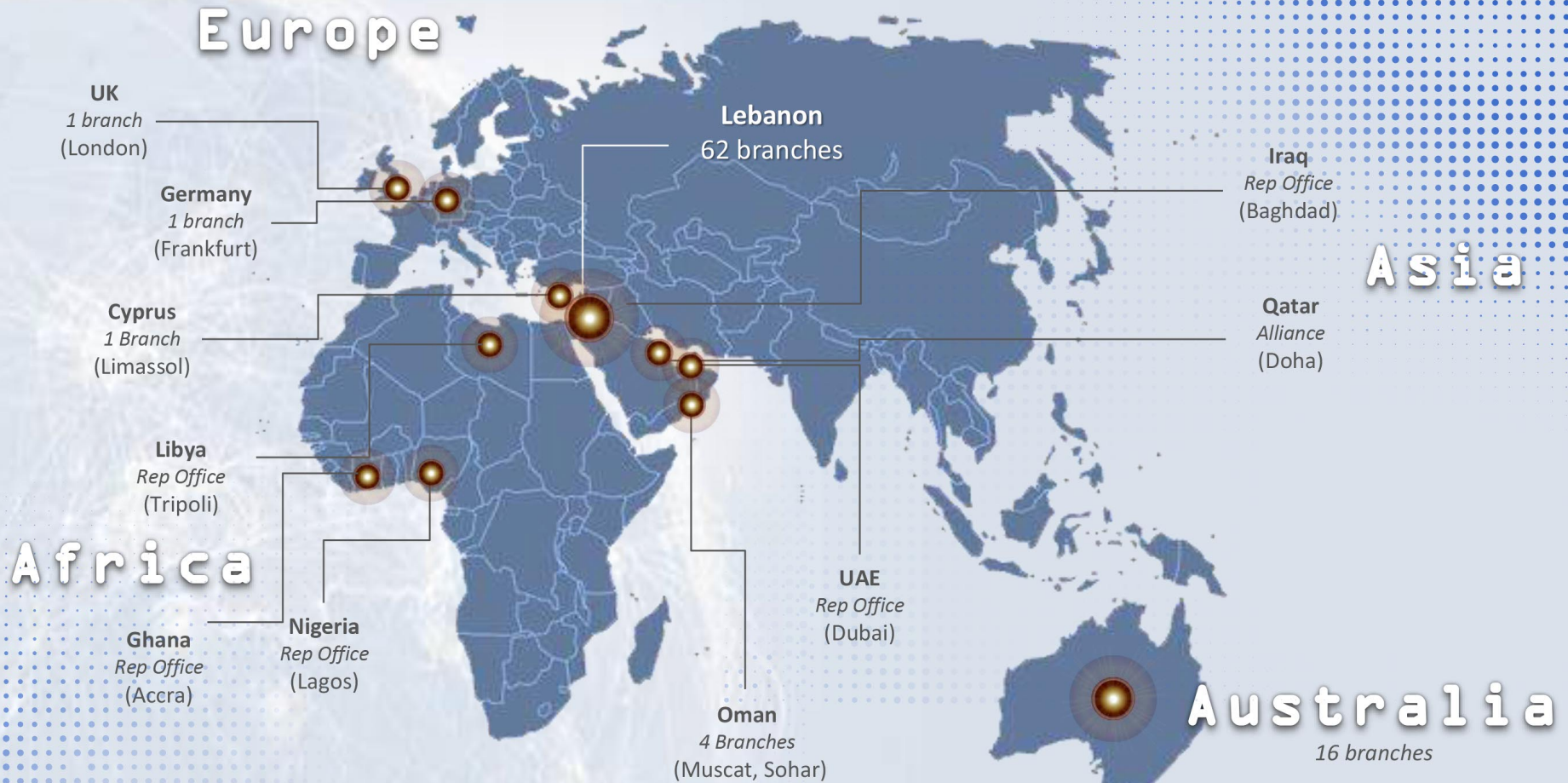
90%  
Beirut Life SAL  
*Life Insurance company*



MILESTONES



# Expanding Footprint - 4 Continents



# BANKING BEYOND BORDERS

## Product Suite Development

- Trade Finance / Commercial Banking
- Retail Banking
- Insurance Brokerage / Life Insurance
- Home Financing
- Western Union Agency
- Global Markets Products



MILESTONES



# Present in countries with strong fundamentals driving future business growth

GDP in USD Million	2011	2012	2013	2014	2015
Germany	3,631,435	3,429,519	3,593,238	3,747,066	3,899,712
United Kingdom	2,464,639	2,476,665	2,489,674	2,627,351	2,761,994
Australia	1,490,337	1,541,700	1,487,971	1,458,907	1,514,003
Sultanate of Oman	69,972	78,290	81,945	83,999	84,998
Cyprus	25,016	23,005	21,778	21,523	22,372
Lebanon	39,013	41,343	43,493	45,464	48,391
United Arab Emirates	348,595	383,799	389,994	403,918	415,280
Nigeria	243,986	270,211	292,028	318,540	340,466
Iraq	180,607	212,501	221,774	238,753	254,005
<b>World Total</b>	<b>70,782,361</b>	<b>72,216,364</b>	<b>73,454,497</b>	<b>76,887,997</b>	<b>81,347,005</b>
<b>Countries of presence</b>	<b>12.00%</b>	<b>11.71%</b>	<b>11.74%</b>	<b>11.63%</b>	<b>11.48%</b>
<b>Lebanon</b>	<b>0.06%</b>	<b>0.06%</b>	<b>0.06%</b>	<b>0.06%</b>	<b>0.06%</b>

Source: IMF



MILESTONES

# PERFORMANCE



Milestones  
Performance  
Leadership Metrics  
Action Roadmap



# Outstanding Historical Growth...

Compounded Annual Growth Rate (CAGR) 1992-2014



Description (USD million)	BOB			Alpha Group			BOB Ranking	
	31-Dec-92	31-Dec-14	CAGR	31-Dec-92	31-Dec-14	CAGR	31-Dec-92	31-Dec-14
Total Assets	48	14,915	29.78	6,548	194,573	16.67	35	7
Customers' deposits	39	11,147	29.28	5,771	161,003	16.33	35	7
Loans to Customers	16	4,174	28.80	1,678	60,391	17.69	33	6
Shareholders' Equity	0.2	1,815	51.22	103	17,169	26.20	52	4
Net profit	0.0	176	55.94	70	1,874	16.11	50	3

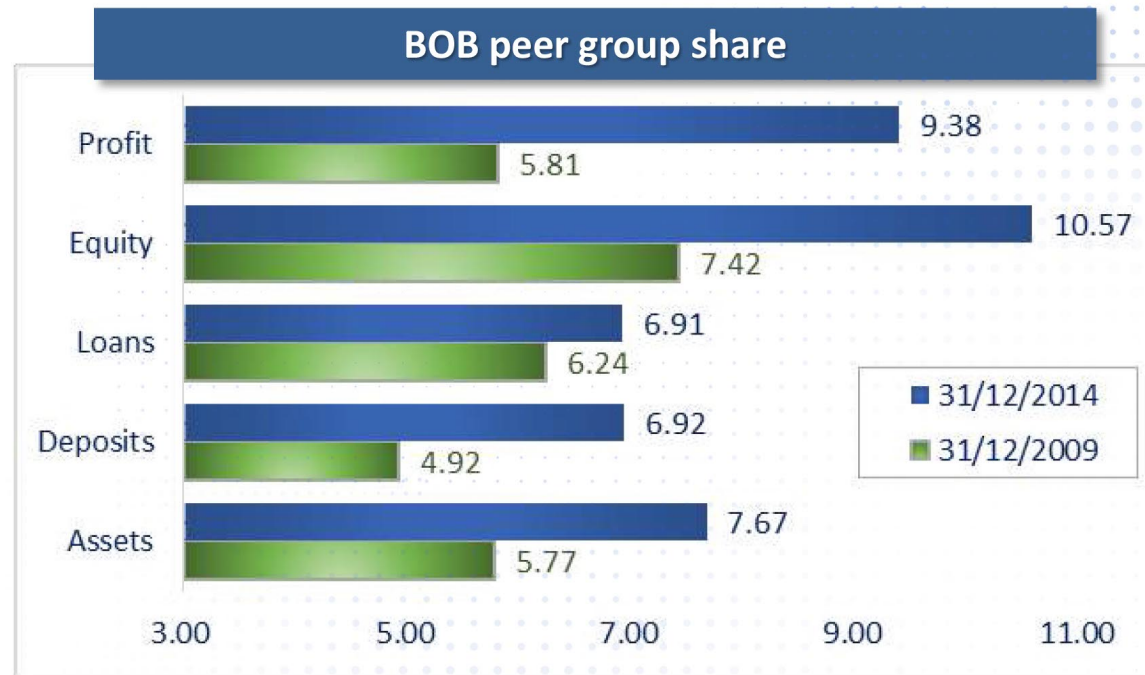
NB: figures converted into USD using current rate (LBP 1507.50)



Peer Group: Largest Banks in Lebanon with customers' deposits exceeding USD 2 billion

PERFORMANCE

## ... Increased market shares



Description (%)	Peer Group Share					
	31-Dec-09	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14
Total Assets	5.77	5.96	6.77	7.22	7.72	7.67
Customers' deposits	4.92	5.34	6.14	6.68	7.01	6.92
Loans to Customers	6.24	6.42	7.28	7.40	7.02	6.91
Shareholders' Equity	7.42	7.56	10.54	10.07	9.97	10.57
Net profit	5.81	6.32	7.58	7.80	8.47	9.38

Source: Bankdata publications





# ... Continues in adverse conditions

## Total Assets



## Customers' Deposits



## Loans to Customers



## Shareholders' Equity



Source: Audited Financial Statements



# Key Performance Indicators overview

## Profitability

- Continuous growth in net profit Earnings per Share
- Ranked 2<sup>nd</sup> in ROAA in Peer Group (Dec. 2014)
- Ranked 3<sup>rd</sup> in Cost to income ratio in Peer Group (Dec. 2014)
- Consistent ROACE > 15%

## Share data

- Stability in Stock Market Price
- Enhancing Share metrics: P/B, P/E, P/A, EPS/MP

## Asset Quality

- Ranked 1<sup>st</sup> in Loan portfolio quality in Peer Group
- High LLRs Coverage, high FV of collateral
- Diversification (Corporate, SME, Retail, Housing)

## Capitalization

- Ranked 1<sup>st</sup> in Capitalization level among Peer Group (equity/Assets)
- Fully Compliant with Basel III regulations
- Consistent Dividend payout ratio and increasing Dividend yields

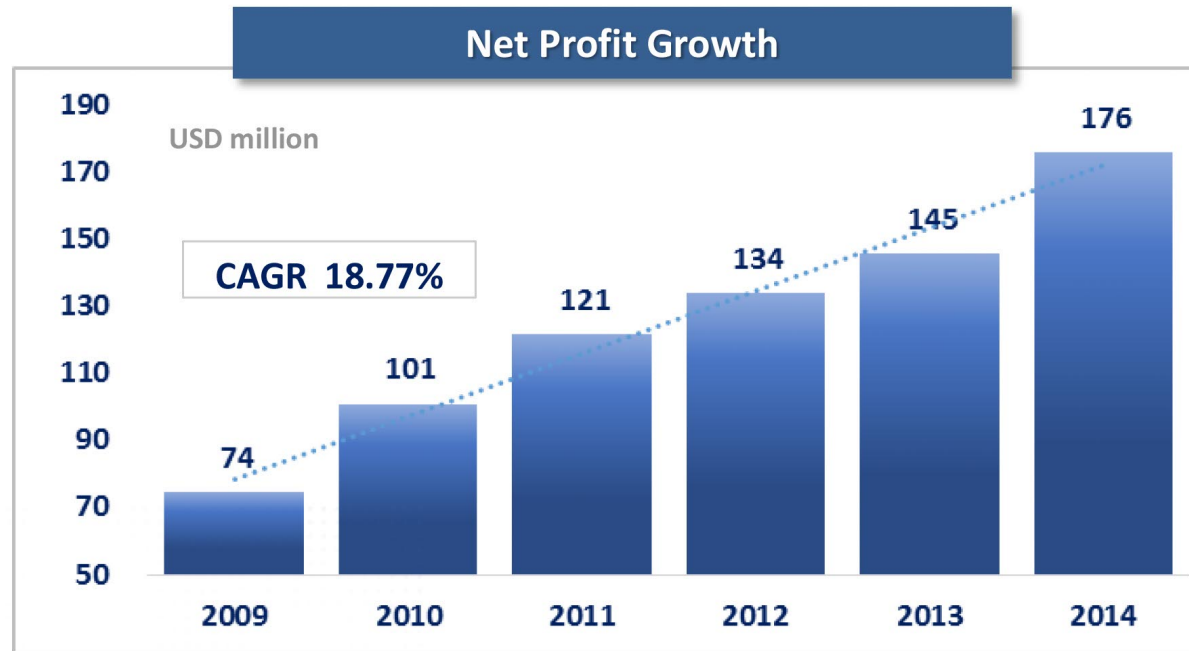
## Liquidity

- High Liquidity in local and foreign currency
- Low Loans to Deposits Ratio
- Positive fair valuation of the investment securities portfolio





# Profitability Indicators



NB: figures of 2011 to 2014 have been restated to include the consolidation of the investment funds managed by BOB Group as per IFRS 10

**Profitability main KPIs**

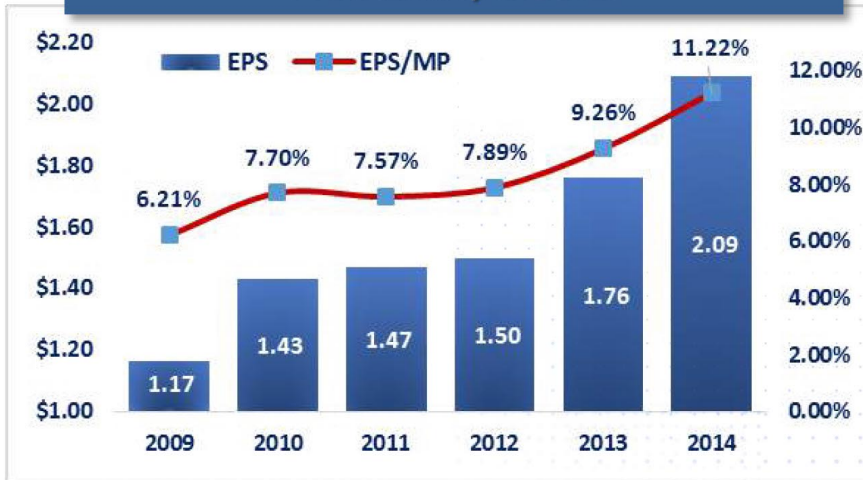
Ratio	2009	2010	2011	2012	2013	2014
ROAA	1.17%	1.35%	1.35%	1.24%	1.16%	1.23%
ROACE	14.59%	14.79%	14.54%	14.58%	15.84%	16.24%
Asset Utilization	2.86%	3.02%	3.04%	3.02%	2.82%	2.89%
Cost to Income	50.11%	46.32%	46.93%	47.21%	47.33%	43.51%

ROAA: Return on Average Assets. ROACE: Return on Average Common Equity. Asset Utilization: Operating Income / Average Assets. Cost to Income: Admin. Expenses / Operating Income



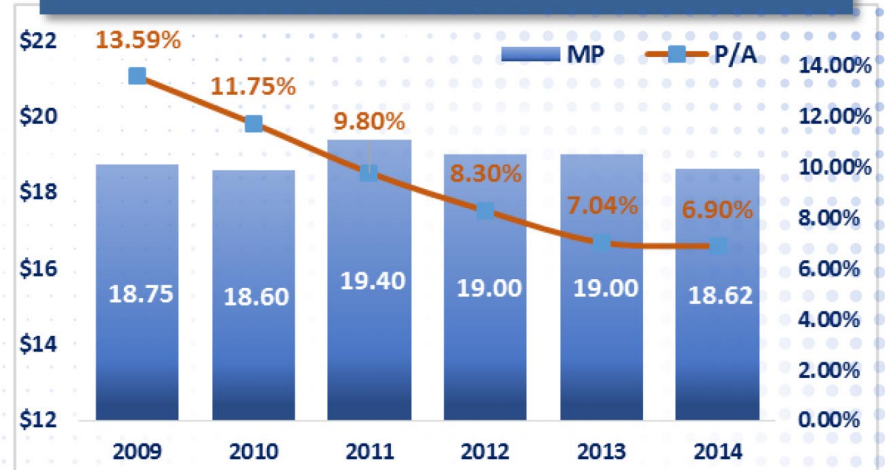
# Share data

## Profitability Metrics



EPS: Basic Earnings per common share. MP: Market Price per common share

## Market indicators



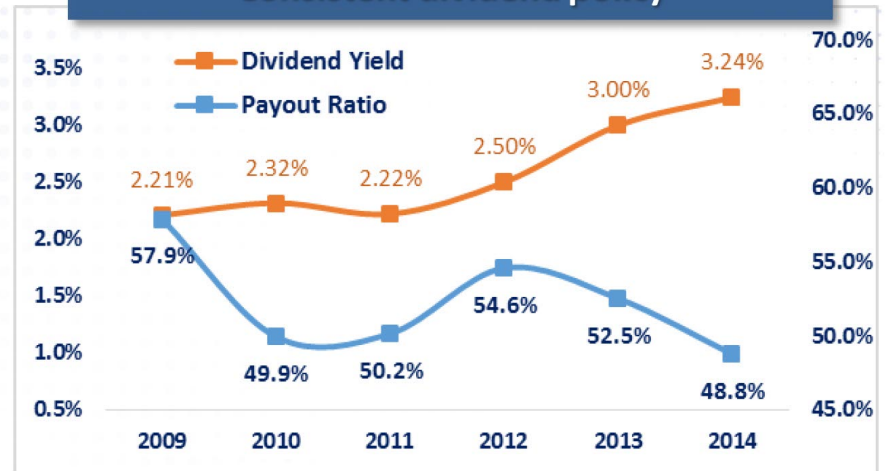
MPS: Market Price per common share P/A: Price to Assets

## Valuation Metrics



P: price per common share E: Basic Earnings per common share B: Book Value of common share

## Consistent dividend policy



\*Payout Ratio: total dividends (incl. preferred to profit group share. Dividend yield: Dividend per common share / common share market price

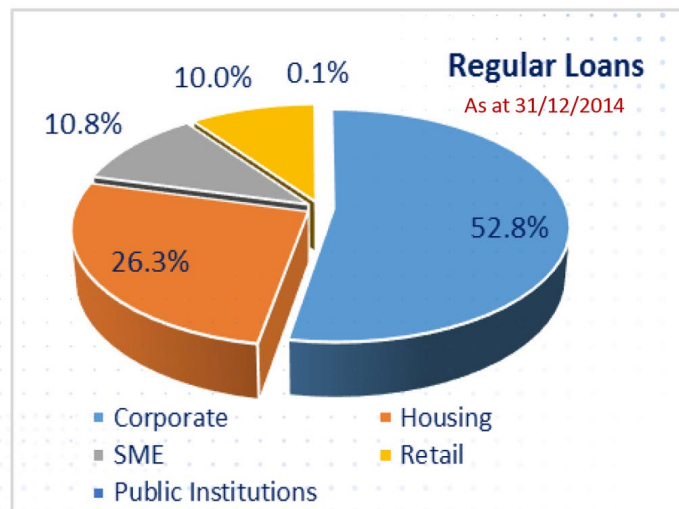




# Loan Portfolio growth and quality

## Loan portfolio overview

Description (USD million)	Balances	
	31-Dec-13	31-Dec-14
<b>Regular loans</b>	<b>3,803</b>	<b>4,171</b>
Corporate	2,190	2,203
Housing	910	1,097
SME	312	450
Retail	389	415
Public Institutions	2	6
<b>Non-performing loans</b>	<b>19</b>	<b>43</b>
<b>Collective Provisions</b>	<b>(26)</b>	<b>(40)</b>
<b>Total net loans</b>	<b>3,796</b>	<b>4,174</b>



Fair Value of Real Guarantees received from customers as at 31/12/2014  
**USD 4.6 billion**

(112% of regular loans)

(Source: Audited Financial Statements)

## Distribution by Economic Sector



## Non-Performing Loans

Description (USD million)	Balances	
	31-Dec-13	31-Dec-14
<b>Regular loans</b>	<b>3,803</b>	<b>4,171</b>
Net Substandard Loans	10	11
Net Doubtful Loans	9	32
<b>Net NPLs</b>	<b>19</b>	<b>43</b>
<b>Collective Provisions</b>	<b>(26)</b>	<b>(40)</b>
<b>Total Net Loans</b>	<b>3,796</b>	<b>4,174</b>

## Loan portfolio quality ratios

Ratio (%)	Balances	
	31-Dec-13	31-Dec-14
Gross NPLs/Gross Loans	1.98%	2.52%
Net NPLs/Net Loans	0.51%	1.03%
Specific LLR/Gross NPLs	74.94%	60.03%
Coverage Ratio	108.87%	96.97%
Net NPLs/Total Assets	0.14%	0.29%
Net NPLs/Total Equity	1.26%	2.38%

**Ranked 1<sup>st</sup> in major Loan Quality Ratios among peers**

Coverage Ratio includes Collective Provisions

# Capitalization

## Shareholders' Equity Growth

Description (USD million)	Balances	
	31-Dec-13	31-Dec-14
Ordinary share capital	45	47
Shareholders' cash contribution to capital	14	14
Priority Common Shares	-	100
Non-cumulative preferred shares	520	520
Issue premium on common shares	154	154
Reserves and Retained Earnings	316	371
Treasury Shares	(30)	(32)
Hedge Accounting & translation adjustments	(11)	(10)
Non-Controlling interests	391	504
Net profit after tax - Group Share	125	146
<b>Total</b>	<b>1,524</b>	<b>1,815</b>

## Capital Adequacy Ratios

Description (%)	Ratio	
	31-Dec-13	31-Dec-14
Total Capital Ratio	13.37%	14.45%
Common Equity Ratio	6.61%	8.15%
Tier 1 Capital Ratio	13.31%	14.37%
Tier 2 Capital Ratio	0.06%	0.08%
Leverage Ratio	7.01%	7.34%

## Capital Structure

Share type	Number of shares	
	31-Dec-13	31-Dec-14
Common shares	50,467,400	50,467,400
Priority Common Shares	-	4,762,000
Preferred Shares Series "E"	2,400,000	2,400,000
Preferred Shares Series "F"	3,000,000	-
Preferred Shares Series "G"	3,570,000	3,570,000
Preferred Shares Series "H"	5,400,000	5,400,000
Preferred Shares Series "I"	5,000,000	5,000,000
Preferred Shares Series "J"	-	3,000,000
<b>Total</b>	<b>69,837,400</b>	<b>74,599,400</b>

Priority Shares (USD 100M) issued in September 2014. They are common shares with priority feature related to dividends.

All preferred shares issued are non-cumulative perpetual with a call option for the bank to redeem after 5 years of respective issue date





# LEADERSHIP METRICS



Milestones  
Performance  
Leadership Metrics  
Action Roadmap

# Leadership in Trade Finance - high potential for expansion

**Value of LCs issued & Documents for collection**



Ranking 1 1 1 1 1 1

Market Share ~ 30%



In USD Million, end 2010	Imports	Exports	Total
Germany	1,056,170	1,261,577	2,317,747
United Kingdom	561,470	410,178	971,648
Australia	201,640	212,364	414,004
Sultanate of Oman	19,775	36,601	56,376
Cyprus	8,646	1,507	10,153
Lebanon	18,460	5,021	23,481
United Arab Emirates	170,000	235,000	405,000
Nigeria	37,000	79,000	116,000
Iraq	42,500	52,800	95,300
Ghana	10,703	7,896	18,599
<b>World Total</b>	<b>15,127,376</b>	<b>15,056,068</b>	<b>30,183,444</b>
<b>% of potential trade flows</b>	<b>14.06%</b>	<b>15.29%</b>	<b>14.67%</b>

Source: International Trade Statistics Yearbook (ITSY) of the United Nations Statistics Division/ Department of Economic and Social Affairs, except for Ghana and Iraq, Source WTO, International Statistics 2011. Imports CIF, Exports FOB in USD Million, end 2010

LEADERSHIP METRICS



Leadership in **risk de-correlation** with some 30% of the loan book in investment-grade countries and 36% revenue from foreign-related business

Country	Rating	% of Loan Book
UK & Germany	AAA	2.57%
Australia	AAA	17.09%
Sultanate of Oman	A+	10.24%
<b>Total Investment Grade</b>		<b>29.90%</b>
Lebanon	B	65.48%
Other Middle East & Africa countries		4.62%

Origin of Net Income (\$000's)	2014	%
Bank of Beirut (UK) Ltd	5,650	3.86%
Bank of Sydney	6,947	4.75%
Cyprus Branch	2,633	1.80%
Oman Branches	6,579	4.50%
<b>Total Foreign Entities</b>	<b>21,809</b>	<b>14,91%</b>
International Trade	30,500	20.86%
<b>Tota NI from foreign sources</b>	<b>52,309</b>	<b>35.77%</b>
<b>Consolidated Net Income after tax *</b>	<b>146,224</b>	

\* Excluding non-controlling interests

**Medium-Term Objective: > 50%**



LEADERSHIP METRICS

# Leadership - Asset Management

- 2012: **Prestigious Funds Ranking Award** for outstanding performance (BGIF II).
- 2011: **Best Performing Funds** (BPF & IMF) over 3 years
- 2009: **Top 5 Performing Fixed Income** (FI) Funds in MENA were all Bank of Beirut's
- 2008: **Top 4 Performing Funds** (FI) in MENA were all Bank of Beirut's

Funds	Expected Return	Real Returns Average/Low/High
Beirut Opportunities Fund	6.50%	6.72%/6.50%/7.70%
Beirut Preferred Fund II Segregated Portfolio	5.25%	5.52%/5.25%/5.55%
Beirut Golden Income II (LBP)	8.65%	9.16%/8.65%/10.90%
Optimal Investment Fund	0.75%-1% above Deposits Rate	7.53%/7.00%/7.85%

Pioneer in funds management, having launched our first fund in 2000, with funds open/closed end in both LBP and USD



LEADERSHIP METRICS



# Leadership - Bancassurance

## Services

- Risk analysis, management and distribution
- Insurance contract completion and preferred rate application
- Claims monitoring, handling and settlement

**6.05%**

total net income from insurance streams in **2014**

## Facts

- A risk management and insurance consultancy firm established in 1995
- Fully owned by Bank of Beirut, offering brokerage services to the Bank, its subsidiaries and clients
- Licensed in Lebanon to deal with most local insurers as well as international brokers and consultants
- Team of experts and professional adjusters



# Leadership - Western Union business

## Services

- Offering online money transfer
- TPI payments
- Several additional ancillary services

## Facts

- Became Western Union principal agent in 2010
- Currently more than 900 sub-agent locations
- Became profitable since 2011, with high growth expectations in term of profitability, customer attraction and cross-selling

Bank of Beirut has achieved the  
**fastest growth ever of any Western Union agent worldwide**





# ACTION ROADMAP



Milestones  
Performance  
Leadership Metrics  
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# Priorities Going Forward

DOMESTIC MARKET GROWTH

INTERNATIONAL MARKET EXPANSION

PROFITABILITY MAXIMIZATION

SHAREHOLDER VALUE CREATION

CAPITALIZATION AND RISK MANAGEMENT  
ENHANCEMENT





# Priorities Going Forward

## DOMESTIC MARKET

### Focus on Internal Growth

#### Products

Keep introducing new and innovative products

#### Network

Expand network as well as keep edge in alternative delivery channels

#### Customers

Attract new customers and foster cross selling



# Priorities Going Forward

## INTERNATIONAL MARKETS EXPANSION

### Niche Approach

#### Trade Finance

World Merchandise Trade growing at twice Nominal GDP.  
Leverage expertise and time to delivery

#### Customers

Focus on underserved / niche mid-market clients

#### Expansion

into countries with strong Lebanese diaspora and economic fundamentals





# Priorities Going Forward

## PROFITABILITY MAXIMIZATION

### Focus on Efficiency and Yield Optimization

Continue the implementation of revised cost-control processes

Contribute to EPS growth via (i) revenue growth, (ii) higher market share, (iii) cost flexibility

Increase fee income through enhanced sales for trade finance, FX, investment and bancassurance products



# Priorities Going Forward

## SHAREHOLDER VALUE CREATION

### Value-Based Management

Management first and foremost considers the interest of shareholders in all business decisions

Provide Shareholders with acceptable Total Returns (capital gains plus dividends)

Optimization of the Cost of Capital through the use of hybrid capital





# Priorities Going Forward

## CAPITALIZATION AND RISK MANAGEMENT ENHANCEMENT

### Broaden the share capital base to incorporate new investors

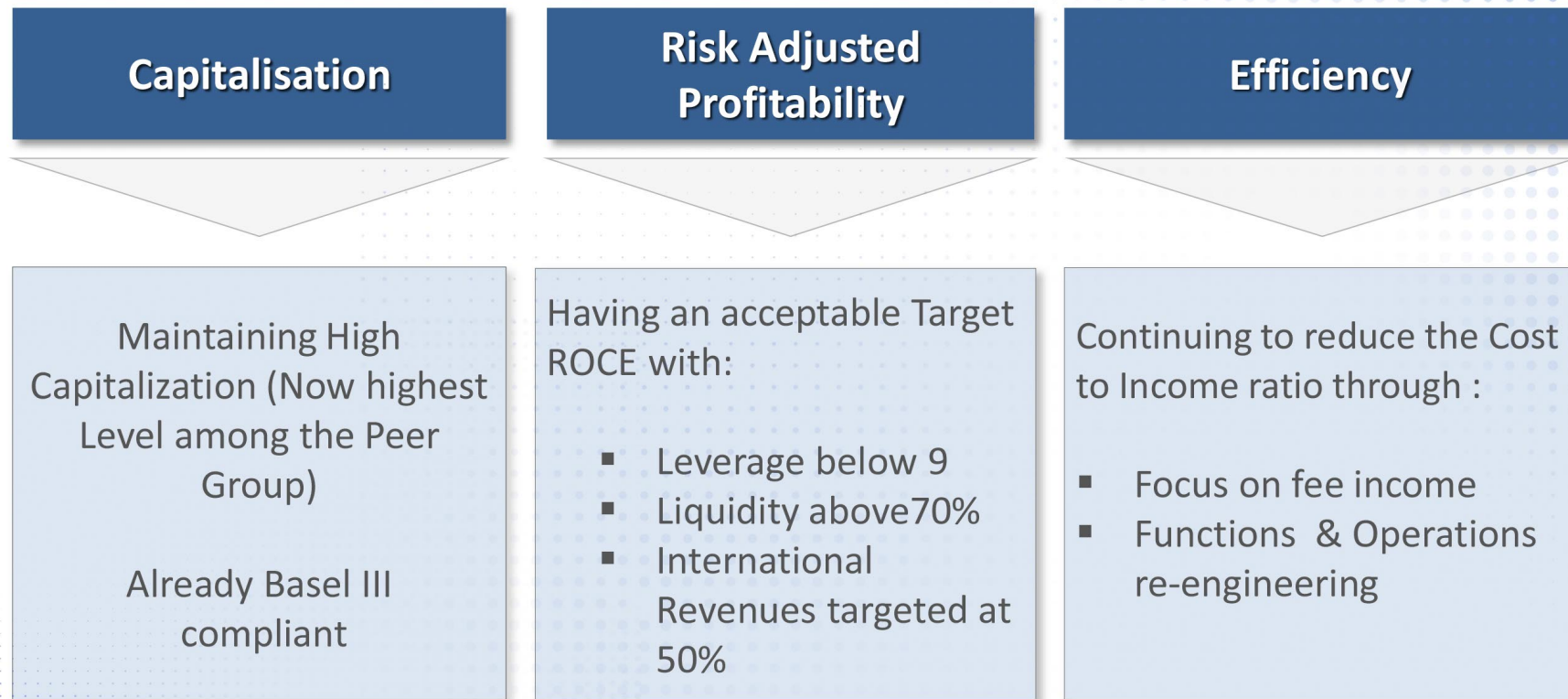
Maintaining Risk Management stringent approach and 0-risk tolerance

Adopting all international Corporate Governance Principles

Fully compliant with international Anti-Money Laundering legislation



# Commitment to sustained delivery of financial targets





# Roadmap for Success

All our decisions are value management based

All our shareholders derived substantial returns from their investments in Bank of Beirut

Asset Management shareholders: all our funds returned much more than promised, with almost zero volatility

The Bank shareholders made an annual TSR of more than 19% since 1992 and, for the last 5 years the ROACE >15%





بنك بيروت  
Bank of Beirut

BANK OF BEIRUT

Competitive  
Agile  
Effective

Thank you

PERFORMANCE MATTERS





# Comparative Financial Statements



## Comparative consolidated Audited balance sheets - Assets

Description (USD million)	Balances			
	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14
Cash and deposits at central banks	1,560	2,259	2,712	2,834
Deposits with banks and financial institutions	921	841	1,244	1,128
Trading Assets	711	650	537	748
Loans to banks	243	305	353	396
Loans and advances (net)	2,976	3,379	3,710	4,104
Loans and advances to related parties	103	82	85	69
Investment securities	2,964	3,548	4,502	5,145
Customers' acceptance liability	303	272	244	254
Investment in associates	24	21	23	25
Assets acquired in satisfaction of loans	18	14	14	15
Properties and equipment (net)	78	90	94	100
Other assets	32	38	38	36
Goodwill	59	59	59	59
<b>Total Assets</b>	<b>9,992</b>	<b>11,558</b>	<b>13,617</b>	<b>14,915</b>



# Comparative Financial Statements



## Comparative consolidated Audited balance sheets – Liabilities and Equity

Description (USD million)	Balances			
	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14
Deposits and borrowing from banks & Ifs	486	692	1,115	1,190
Customers' deposits	7,462	8,796	10,174	10,959
Related Parties Deposits	118	140	138	188
Liabilities under acceptance	303	272	244	254
Other borrowings	28	35	198	321
Certificates of deposits	150	31	20	0
Other Liabilities	103	149	182	165
Provisions	23	28	22	23
Subordinated Loans	12	-	-	-
Shareholders' equity	1,201	1,302	1,399	1,668
Net Income of the year	105	113	125	146
<b>Total Liabilities &amp; Equity</b>	<b>9,992</b>	<b>11,558</b>	<b>13,617</b>	<b>14,915</b>

# Comparative Financial Statements



## Comparative consolidated Audited Income Statements

Description (USD million)	Amounts			
	2011	2012	2013	2014
Interest income	426	506	582	662
Interest expense	(298)	(332)	(384)	(436)
<b>Net interest income</b>	<b>129</b>	<b>173</b>	<b>198</b>	<b>226</b>
Net fee & commission income	60	72	65	76
Net interest & gain from Trading Assets & Liab.	75	54	40	49
Other non-interest income	9	26	51	61
<b>Operating income</b>	<b>273</b>	<b>325</b>	<b>355</b>	<b>412</b>
Impairment losses	(2)	(12)	(14)	(23)
<b>Net operating income</b>	<b>271</b>	<b>313</b>	<b>341</b>	<b>389</b>
Staff costs	(77)	(85)	(88)	(96)
General operating expenses	(44)	(60)	(69)	(71)
Depreciation and amortization	(7)	(9)	(11)	(12)
<b>Profit before income taxes</b>	<b>143</b>	<b>159</b>	<b>173</b>	<b>210</b>
Income taxes	(22)	(25)	(27)	(34)
<b>Net profit after income taxes</b>	<b>121</b>	<b>134</b>	<b>145</b>	<b>176</b>
Non-controlling interest	(17)	(21)	(20)	(30)
<b>Net profit (Equity holders)</b>	<b>105</b>	<b>113</b>	<b>125</b>	<b>146</b>





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Bank of Beirut

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# Banking Beyond Borders

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