



بنك بيروت  
Bank of Beirut

## **Consolidated Financial Performance Report Fiscal Year 2017**

## **Introduction**

Bank of Beirut s.a.l. ("BOB") is a full-fledged Bank which offers universal banking products and services covering Corporate, Commercial, Individual and Private Banking services to a diversified client base. The Bank operates in Lebanon, Europe, Australia, Middle East and Africa region. It was incorporated as a commercial Bank on August 19, 1963, under the name of "Realty Business Bank s.a.l.". The Bank is registered in the Beirut Commercial Register under No. 13187 and on the Banks' List at the Central Bank of Lebanon, under No. 75. Its Head Office is located in Foch Street, Bank of Beirut Building, Beirut Central District, Lebanon.

The Bank is one of the leading banks in Lebanon. At the end of 2017, it was ranked sixth among Lebanese banks as per major banking aggregates, namely in Assets, Deposits, fourth in profits and Loans to customers, and third in Equity.

The Central Bank of Lebanon is the lead supervisor of Bank of Beirut s.a.l. and its subsidiaries.

The Bank, together with its banking and other subsidiaries, is engaged in a wide range of banking and financial activities in Lebanon and a number of countries: the United Kingdom, Germany, Cyprus, the United Arab Emirates, Sultanate of Oman, Australia, Nigeria, and Ghana. Through its presence in these countries, the Bank has been able to expand and diversify its income, assets and loan portfolio outside Lebanon while broadening the sources of its deposit base.

The Bank maintains one of the largest branch networks in Lebanon, with currently 67 branches, as well as one branch in Cyprus and five branches in Sultanate of Oman ("Oman"). Bank of Beirut (U.K.) Ltd. the Bank's wholly owned subsidiary based in the United Kingdom has one branch in London and another branch in Frankfurt. Bank of Sydney, in Australia, a fully owned subsidiary, was acquired in early 2011 and currently operates 16 branches. The Bank also operates a representative office located in Dubai, United Arab Emirates, to service the Gulf region; two representative offices located in Lagos, Nigeria, and Accra, Ghana, to cater for West Africa. The Bank has currently four wholly owned subsidiaries in Lebanon, BOB Finance SAL, Bank of Beirut Invest SAL, Beirut Broker Company SARL, Cofida Holding SAL. The latter owns 90% of Beirut Life SAL.

The Bank has authorized and fully issued a total of 57,946,900 shares of common stock, out of which 53,184,900 are ordinary shares, and 4,762,000 are priority shares of common stock that benefit, for a limited period of time, from certain financial advantages. As at 31 December 2017, the number of the Bank's common stock (including the Priority Shares) listed and traded on the Beirut Stock Exchange amounted to 22,508,417 Shares (or 38.84% of the outstanding Shares).

## **Basis of presentation**

The analysis that follows highlights the Bank of Beirut consolidated performance for the year ended 31 December 2017, compared to year 2016.

Financial information included in this report have, unless otherwise indicated, been derived from the Bank's draft audited consolidated financial statements as at and for the year ended December 31 2017.

The Bank's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and interpretations issued by the International Financial Reporting Interpretations Committee, the regulations of the Central Bank of Lebanon ("CBL") and the Banking Control Commission ("BCC"), and include the results of the Bank and its consolidated subsidiaries. Deloitte & Touche

and DFK Fiduciaire du Moyen-Orient have audited the Bank's consolidated financial statements for the year ended December 31, 2017.

The consolidated financial statements of Bank of Beirut S.A.L. incorporate the financial statements of the Bank and entities controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated subsidiaries consist of the following:

Subsidiary	Country of Incorporation	Year of Acquisition or Incorporation	Percentage of Ownership	Business Activity
Bank of Beirut (UK) Ltd.	United Kingdom	2002	100%	Banking
Bank of Beirut Invest s.a.l.	Lebanon	2007	100%	Investment Banking
Beirut Broker company s.a.r.l.	Lebanon	1999	100%	Insurance brokerage
BOB Finance s.a.l.	Lebanon	2006	100%	Financial Institution
Cofida Holding s.a.l.	Lebanon	2008	100%	Holding
Beirut Life s.a.l.	Lebanon	2010	90%	Insurance (Life)
Bank of Sydney Ltd	Australia	2011	100%	Banking
Medawar 247	Lebanon	2015	100%	Real Estate
Medawar 1216	Lebanon	2015	100%	Real Estate
Optimal Investment Fund	Lebanon	2010		Mutual Fund
Beirut Preferred Fund II	Cayman Island	2013	1.17%	Mutual Fund
BOB LBP Growth Fund	Lebanon	2015		Mutual Fund

## Year 2017 Group Performance Overview

Despite the economic slowdown in Lebanon, Bank of Beirut strengthened its franchise through above 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 created an international presence which boosted its ability to become the leading trade finance Bank in the country and to cater to Lebanese expatriate communities.

The achieved growth has been in line with the long-term strategy adopted by the Bank aiming at diversifying its business activities towards a universal banking model through expanding regionally and internationally in profitable and relatively low-risk countries. It is worth mentioning that the Bank's long-term strategy is to attain a balanced breakdown of profits through activities in Lebanon and abroad.

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 achieved gains in market shares in both commercial and retail businesses while maintaining its position as a leader in the Trade Finance.

On consolidated basis, the Bank's total assets reached as at 31 December 2017 LBP 27.687 billion (USD 18.4 billion), growing by 6.73% year-on-year. The growth in size was mainly funded by the growth in deposits and equity.

Description (LBP billion)	Balances		Growth	
	31-Dec-16	31-Dec-17	Amount	%
Total Assets	25,941	27,687	1,746	6.73%
Customers' deposits	18,923	20,108	1,185	6.26%
Loans to Customers	7,192	8,573	1,381	19.20%
Total Equity	3,483	3,547	63	1.82%
Net profit	304	308	5	1.51%

## Sustained growth





The year 2017 growth in main financial indicators was achieved in almost all the Bank of Beirut Group as shown here below:

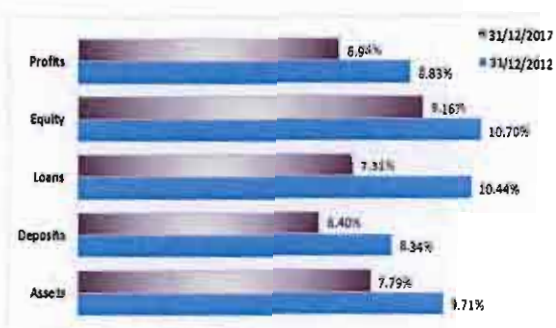
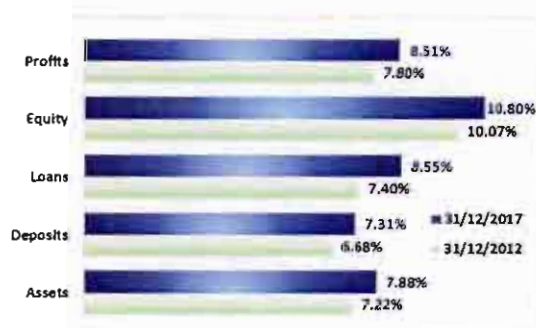
Entity (LBP billion)	Balances - 31 Dec. 2016				
	Assets	Deposits	Loans	Equity	Profits
Bank of Beirut	21,097	15,936	5,000	2,041	171
Local Subsidiaries	268	16	6	212	34
Foreign Affiliates	4,633	3,068	2,378	678	42
Mutual Funds	1,438	-	-	1,185	76
<b>Total</b>	<b>27,436</b>	<b>19,019</b>	<b>7,385</b>	<b>4,115</b>	<b>323</b>
Eliminations	(1,495)	(96)	(192)	(632)	(19)
<b>Consolidated</b>	<b>25,941</b>	<b>18,923</b>	<b>7,192</b>	<b>3,483</b>	<b>304</b>

Entity (LBP billion)	Balances - 31 Dec. 2017				
	Assets	Deposits	Loans	Equity	Profits
Bank of Beirut	22,478	16,943	6,136	2,095	192
Local Subsidiaries	310	15	6	247	36
Foreign Affiliates	4,972	3,252	2,685	750	35
Mutual Funds	1,465	-	-	1,156	72
<b>Total</b>	<b>29,225</b>	<b>20,211</b>	<b>8,828</b>	<b>4,248</b>	<b>336</b>
Eliminations	(1,538)	(103)	(254)	(702)	(27)
<b>Consolidated</b>	<b>27,687</b>	<b>20,108</b>	<b>8,573</b>	<b>3,547</b>	<b>308</b>

## Peer Group analysis

During the last 5 years, Bank of Beirut was able to increase its peer group shares in most important indicators through consistent above average growth rates:

Indicator	Peer Group Share			CAGR 2012-2017		
	2012	2017	Growth	BOB	Peer	Difference
Assets	7.22%	7.88%	0.67%	9.71%	7.79%	1.92%
Deposits	6.68%	7.31%	0.63%	8.34%	6.40%	1.94%
Loans	7.40%	8.55%	1.15%	10.44%	7.31%	3.14%
Equity	10.07%	10.80%	0.73%	10.70%	9.16%	1.53%
Profits	7.80%	8.51%	0.71%	8.83%	6.94%	1.89%



In 2017, Bank of Beirut was able to sustain its peer group shares in most indicators and maintained its ranking in Total Assets, Deposits and Equity, while improving its ranking in Loans to customers:

Description	Year 2017 Growth		Group Share		BOB Ranking	
	BOB	Peer	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17
Total Assets	6.73%	6.63%	7.88%	7.88%	6	6
Customers' deposits	6.26%	3.45%	7.11%	7.31%	6	6
Loans to Customers	19.20%	1.66%	7.29%	8.55%	6	4
Total Equity	1.82%	6.38%	11.28%	10.80%	3	3
Net profit	1.51%	6.04%	8.89%	8.51%	3	4

On the other hand, Bank of Beirut was able to achieve the following outstanding rankings as at 31 December 2016 within the peer group:

- Ranking 1<sup>st</sup> in "Equity to Asset ratio", indicating the high level of capitalization.
- Ranking 1<sup>st</sup> in "Leverage of total capital"
- Ranking 4<sup>th</sup> in "Net Operating Margin"
- Ranking 3<sup>rd</sup> in "Loan to Deposits ratio"
- Ranking 3<sup>rd</sup> in loan portfolio quality ratios, namely "NPLs to gross loans", denoting the conservative management of the credit risk.
- Ranking 4<sup>th</sup> in Return on Average Assets (ROAA)

*Peer Group banks balances as at 31 December 2017:*

Bank (LBP million)	Balances as at 31 Dec 2017				
	Assets	Deposits	Loans	Equity	Profit
Bank Audi	65,956	50,428	24,610	6,313	843
BLOM Bank	49,059	40,163	11,364	4,531	731
Byblos Bank	34,163	27,139	8,215	2,833	256
Fransabank	33,277	25,018	9,825	3,245	271
SGBL	32,495	24,854	7,456	2,780	333
<b>BOB</b>	<b>27,690</b>	<b>20,108</b>	<b>8,576</b>	<b>3,548</b>	<b>308</b>
BankMed	25,107	19,659	6,724	2,411	182
BLF	20,576	16,493	6,556	1,905	182
Credit Libanais	17,430	14,022	5,212	1,273	123
IBL Bank	10,878	8,676	1,437	860	153
BBAC	10,455	9,021	2,655	922	72
FNB	7,372	5,941	1,636	666	55
LGB	7,082	5,875	2,045	578	60
Creditbank	5,822	4,772	2,778	605	37
Saradar Bank	3,860	3,086	1,169	370	15
<b>Total</b>	<b>351,221</b>	<b>275,255</b>	<b>100,259</b>	<b>32,840</b>	<b>3,620</b>

## A- Consolidated Balance sheet management

The composition and size of the balance-sheet and contingent liabilities reflect the Board of Directors' overall growth objectives and the risk appetite/tolerance for the group. The latter's strategy targets a sustainable growth and a good financial standing while adopting a conservative risk management framework and adequate corporate governance guidelines.

### a- Sources and uses of funds

#### Funding Sources

Description (LBP Billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
Customers' deposits	18,923	20,108	1,185	6.26%	72.95%	72.62%
Total Equity	3,483	3,547	63	1.82%	13.43%	12.81%
Deposits from banks and Fis	2,004	2,095	91	4.53%	7.73%	7.57%
Other liabilities & provisions	675	586	(89)	-13.18%	2.60%	2.12%
Other borrowings	588	994	406	69.02%	2.27%	3.59%
Liabilities under acceptance	267	357	90	33.70%	1.03%	1.29%
<b>Total</b>	<b>25,941</b>	<b>27,687</b>	<b>1,746</b>	<b>6.73%</b>	<b>100.00%</b>	<b>100.00%</b>

The main source of funds was generated from the customers' deposits which represented at the end of year 2017 around 72.62% of the funding sources, as compared to 72.95% at year-end 2016.

The customers' deposit base grew by LBP 1,185 billion in 2017 (+6.26%) while the Equity caption increased by LBP 63 billion (+1.82%). The increase in "Other borrowings" caption was mainly related to borrowings from the Central Bank of Lebanon and other central banks. The funding from banks and financial institutions increased during the year by LBP 91 billion, a 4.53% year-on-year growth. The decrease by LBP 89 billion of "Other Liabilities & Provisions" was mainly due to the decline of Letters of Guarantee margins from banks by LBP 74 billion and LBP 42 billion due to the settlement of the "Tax payable on regulatory deferred liability".

#### Peer Group Comparison in terms of year 2017 growth and breakdown:

Description (%)	Growth Rate		Breakdown			
	Year 2017		31-Dec-16		31-Dec-17	
	BOB	Peer	BOB	Peer	BOB	Peer
Customers' deposits	6.26%	3.45%	72.95%	80.78%	72.62%	78.37%
Total Equity	1.82%	6.38%	13.43%	9.37%	12.81%	9.35%
Deposits from banks and Fis	4.53%	4.35%	7.73%	3.78%	7.57%	3.69%
Other liabilities & provisions	-13.18%	4.65%	2.60%	2.55%	2.12%	2.51%
Other borrowings	69.02%	91.41%	2.27%	2.90%	3.59%	5.20%
Liabilities under acceptance	33.70%	50.53%	1.03%	0.62%	1.29%	0.88%
<b>Total</b>	<b>6.73%</b>	<b>6.63%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



## Uses of Funds

The Bank's strategy places emphasis on maintaining high asset quality and a strong investment securities' portfolio. While each entity of the group is abiding by the local regulations, and as part of the group risk management framework, the assets' structure is subject to internal limits in terms of business lines, financial instruments, counter-party concentration and geographical distribution.

Description (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
Investment securities	10,603	9,828	(775)	-7.30%	40.87%	35.50%
Loans and Advances	7,192	8,573	1,381	19.20%	27.73%	30.96%
Cash & deposits at Central Banks	5,671	6,582	911	16.06%	21.86%	23.77%
Deposits with banks & FIs*	1,771	1,840	69	3.89%	6.83%	6.64%
Customers' acceptance liability	267	357	90	33.70%	1.03%	1.29%
Property and equipment	220	281	61	27.83%	0.85%	1.01%
Other assets	129	137	8	6.49%	0.50%	0.50%
Goodwill	88	89	0	0.15%	0.34%	0.32%
<b>Total</b>	<b>25,941</b>	<b>27,687</b>	<b>1,746</b>	<b>6.73%</b>	<b>100.00%</b>	<b>100.00%</b>

\* including loans to banks

The main utilization of funds was:

### Loans to customers

Growing by LBP 1,381 billion, a growth of 19.20%, the share of the loan portfolio represented 30.96% of total assets as at 31 December 2017, compared to 27.73% at the end of 2016. The achieved growth was much higher than the peer group (i.e. 1.66%).

### Cash & Central Banks

Increasing during the year by LBP 911 billion (+16.06%) and representing 23.77% of total assets as at 31 December 2017, compared to 21.86% at year-end 2016. The increase was less than the peer group growth in 2017 (i.e. 28.18%).

### Investment Securities

Decreasing by LBP 490 billion (-7.30%) and representing 35.50% of total assets as at 31 December 2017, compared to 40.87% at year-end 2016.

### Due to banks and financial institutions

Increasing during the year by LBP 69 billion (+3.89%) and representing 6.64% of total assets as at 31 December 2017, compared to 6.83% at year-end 2016.

### Properties and equipment

Increasing during the year by LBP 61 billion (+27.83%), due mainly to the purchase of a new head office building in London and a land in Lebanon as part of the new head office.

**Peer Group Comparison in terms of year 2017 growth and breakdown:**

Description (%)	Growth Rate		Breakdown			
	Year 2017		31-Dec-16		31-Dec-17	
	BOB	Peer	BOB	Peer	BOB	Peer
Investment securities	-7.30%	-9.41%	40.87%	31.68%	35.50%	26.91%
Loans and Advances	19.20%	1.66%	27.73%	29.94%	30.96%	28.55%
Cash & deposits at Central Banks	16.06%	28.18%	21.86%	27.31%	23.77%	32.83%
Deposits with banks & FIs*	3.89%	5.81%	6.83%	7.81%	6.64%	7.75%
Customers' acceptance liability	33.70%	50.53%	1.03%	0.62%	1.29%	0.88%
Property and equipment	27.83%	5.98%	0.85%	1.24%	1.01%	1.23%
Other assets	6.49%	46.16%	0.50%	1.27%	0.50%	1.74%
Goodwill	0.15%	-9.96%	0.34%	0.12%	0.32%	0.10%
<b>Total</b>	<b>6.73%</b>	<b>6.63%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\* including loans to banks

**b- Customers' Deposits**

Constituting the main funding source, the consolidated deposits base increased during year 2017 by LBP 1,185 billion to reach LBP 20,108 billion (USD 13.3 billion), a year-on-year growth of 6.26%.

On consolidated basis, Bank of Beirut Group over performed the peer Group growth rate of 3.45%, consequently, the peer group share increased from 7.11% as at 31 December 2016 to 7.31% as at 31 December 2017.



Domestically, Bank of Beirut was also able to increase its peer group share from 7.03% at year-end 2016 to 7.13% as at 31 December 2017.

**Peer Group banks comparative balances:**

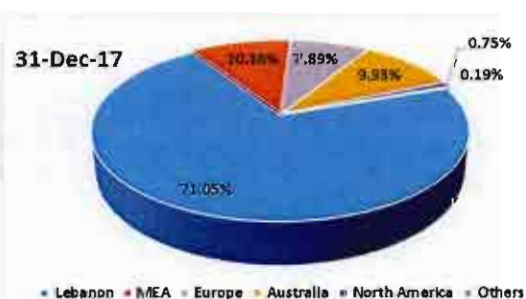
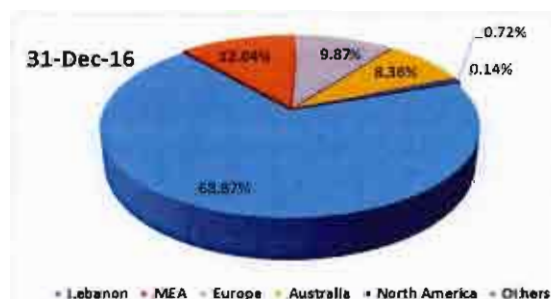
Bank (LBP million)	Balances		Growth		
	31-Dec-16	31-Dec-17	Amount	%	Rank
Bank Audi	54,203	50,428	(3,775)	-6.96%	15
BLOM Bank	37,402	40,163	2,760	7.38%	6
Byblos Bank	25,782	27,139	1,357	5.26%	9
Fransabank	25,638	25,018	(620)	-2.42%	14
SGBL	21,988	24,854	2,866	13.03%	2
<b>BOB</b>	<b>18,923</b>	<b>20,108</b>	<b>1,185</b>	<b>6.26%</b>	<b>8</b>
BankMed	18,208	19,659	1,451	7.97%	5
BLF	15,712	16,493	781	4.97%	10
Credit Libanais	13,427	14,022	594	4.43%	12
IBL Bank	8,444	8,676	232	2.75%	13
BBAC	8,602	9,021	419	4.87%	11
FNB	5,423	5,941	519	9.56%	3
LGB	5,367	5,875	507	9.45%	4
Creditbank	4,486	4,772	285	6.36%	7
Saradar Bank	2,469	3,086	617	25.01%	1
<b>Total</b>	<b>266,075</b>	<b>275,255</b>	<b>9,180</b>	<b>3.45%</b>	

As shown in the table above, Bank of Beirut maintained its ranking 6<sup>th</sup> among peer group banks despite the above average growth rate achieved in 2017.

**Geographical distribution of deposits**

An analysis of customers' deposits by geographical area distribution reveals that the growth was largely contributed to Lebanon with a LBP 1,255 billion (+9.63%) with a remarkable growth in Australia by 26.15%. Lebanon is still representing the lion's share with 71.05% of total customers' deposits as at year-end 2017.

Description (LBP billion)	Balances		Growth	
	31-Dec-16	31-Dec-17	Amount	%
Lebanon	13,033	14,287	1,255	9.63%
Middle East & Africa	2,279	2,048	(231)	-10.15%
Europe	1,867	1,587	(280)	-14.98%
Australia	1,583	1,997	414	26.15%
North America	135	151	16	11.52%
Others	26	38	11	43.68%
<b>Total</b>	<b>18,923</b>	<b>20,108</b>	<b>1,185</b>	<b>6.26%</b>



### Distribution by type of deposits

The breakdown of deposits by type has been relatively stable in 2017, with term deposits continuing to reflect the lion's share of 80.2% of total deposits as at 31 December 2017 and the healthy level of demand deposits reflecting 11.36% of total deposits:

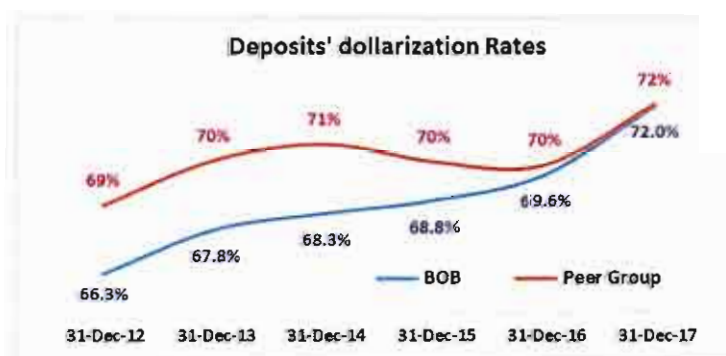
Description (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
Term Deposits	15,406	16,124	718	4.66%	81.41%	80.19%
Demand deposits	2,011	2,284	273	13.57%	10.63%	11.36%
Collateral against loans	1,121	1,406	285	25.38%	5.93%	6.99%
Margins on LGs	177	128	(48)	-27.43%	0.93%	0.64%
Margins on LCs	52	28	(24)	-45.90%	0.28%	0.14%
Other Margins	53	28	(26)	-47.83%	0.28%	0.14%
Accrued interest	102	109	7	7.07%	0.54%	0.54%
<b>Total</b>	<b>18,923</b>	<b>20,108</b>	<b>1,185</b>	<b>6.26%</b>	<b>100.00%</b>	<b>100.00%</b>

### Deposits' distribution by currency

Currency (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
LBP	5,747	5,629	(118)	-2.05%	30.37%	28.00%
USD	9,432	10,394	962	10.20%	49.85%	51.69%
Euro	792	740	(52)	-6.59%	4.19%	3.68%
GBP	241	253	11	4.64%	1.28%	1.26%
AUD	1,643	2,060	417	25.38%	8.68%	10.25%
Other	1,066	1,031	(36)	-3.35%	5.64%	5.13%
<b>Total</b>	<b>18,923</b>	<b>20,108</b>	<b>1,185</b>	<b>6.26%</b>	<b>100.00%</b>	<b>100.00%</b>

The USD denominated deposits augmented by LBP 962 billion in 2017, recording an annual growth rate of 10.20% and continuing to hold the largest share of 51.69%. The dollarization rate of customers' deposits increased in 2017 to reach 72.00% as compared to 69.63% at year-end 2016.

The deposits' dollarization rate is in line with both peer group and sector rates.

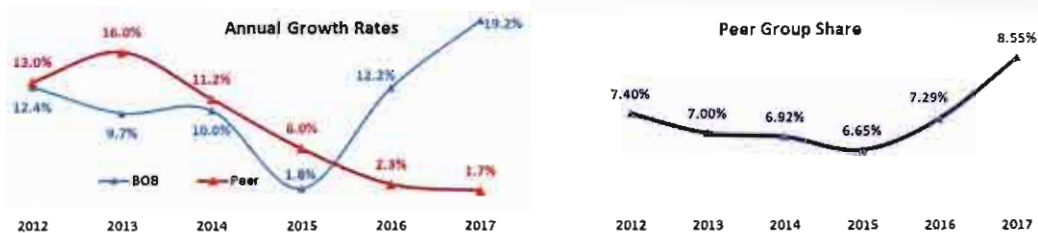


### c- Loans to Customers

The loan to customers portfolio increased by LBP 1381 billion in 2017 reaching LBP 8,573 billion, compared to LBP 7,192 billion at the end of year 2016.

Description (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
Regular Loans to Customers	6,921	8,233	1,311	18.95%	96.23%	96.03%
Regular Loans to related parties	106	128	22	20.96%	1.47%	1.49%
Substandard Loans (net)	166	108	(58)	-34.89%	2.31%	1.26%
Doubtful Loans (net)	48	130	82	170.85%	0.67%	1.52%
Collective Provisions	(49)	(26)	23	-47.31%	-0.69%	-0.30%
<b>Total</b>	<b>7,192</b>	<b>8,573</b>	<b>1,381</b>	<b>19.20%</b>	<b>100.00%</b>	<b>100.00%</b>

The Bank's year-on-year growth of 19.20% clearly outperformed the 1.66% peer group growth rate achieved in 2017. Consequently, the peer group share has significantly improved as follows:



#### Peer Group banks comparative balances:

Bank (LBP million)	Balances		Growth		Rank
	31-Dec-16	31-Dec-17	Amount	%	
Bank Audi	25,973	24,610	(1,363)	-5.25%	12
BLOM Bank	10,800	11,364	564	5.22%	6
Byblos Bank	7,808	8,215	407	5.21%	7
Fransabank	9,849	9,825	(24)	-0.25%	11
SGBL	6,744	7,456	712	10.56%	3
<b>BOB</b>	<b>7,192</b>	<b>8,576</b>	<b>1,384</b>	<b>19.24%</b>	<b>2</b>
BankMed	7,630	6,724	(906)	-11.88%	15
BLF	6,320	6,556	236	3.74%	9
Credit Libanais	4,837	5,212	375	7.75%	4
IBL Bank	1,566	1,437	(129)	-8.21%	14
BBAC	2,531	2,655	124	4.90%	8
FNB	1,543	1,636	92	5.99%	5
LGB	2,172	2,045	(127)	-5.83%	13
Creditbank	2,739	2,778	39	1.42%	10
Saradar Bank	920	1,169	249	27.12%	1
<b>Total</b>	<b>98,625</b>	<b>100,259</b>	<b>1,634</b>	<b>1.66%</b>	

As shown in the table above, Bank of Beirut improved its ranking from 6<sup>th</sup> in 2016 to 4<sup>th</sup> in 2017 while recording the 2<sup>nd</sup> growth rate among peer group banks.

### Distribution by geographical area

Description (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
Lebanon	4,687	5,759	1,072	22.86%	65.17%	67.17%
Australia	1,386	1,732	346	24.96%	19.28%	20.21%
Middle East & Africa	994	930	(63)	-6.38%	13.82%	10.85%
Europe	122	115	(7)	-5.43%	1.69%	1.34%
North America	4	37	33	938.56%	0.05%	0.43%
Others	0	0	0	564.95%	0.00%	0.00%
<b>Total</b>	<b>7,192</b>	<b>8,573</b>	<b>1,381</b>	<b>19.20%</b>	<b>100.00%</b>	<b>100.00%</b>

An analysis of Loans to customers by geographical area distribution reveals that the growth was largely contributed to Lebanon with a LBP 1,072 billion (+22.86%) and a notable increase in Australia by LBP 346 billion (+24.96%).

The share of loans outside Lebanon reached 32.83% as year-end 2017, compared to 34.83% as at 31 December 2016.

### Loans distribution by currency

Currency (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
LBP	1,664	1,817	153	9.22%	23.14%	21.20%
USD	3,222	4,063	841	26.09%	44.80%	47.39%
Euro	228	284	56	24.72%	3.17%	3.32%
GBP	38	42	4	11.24%	0.53%	0.49%
AUD	1,246	1,575	329	26.39%	17.32%	18.37%
Other	794	791	(3)	-0.33%	11.04%	9.23%
<b>Total</b>	<b>7,192</b>	<b>8,573</b>	<b>1,381</b>	<b>19.20%</b>	<b>100.00%</b>	<b>100.00%</b>

The LBP denominated Loans augmented by LBP 153 billion in 2017, recording an annual growth rate of 9.22%, mainly derived from the increase in housing loans. On the foreign currency side, the USD continued to hold the largest share and registered a significant increase during 2017 by LBP 841 billion (+26.09%). The foreign currency denominated loans stood at 76.86% at the end of year 2016, compared to 80.16% for the peer group and 78.38% for the sector.



#### Distribution of Loans by type of Customer

Description (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
Corporate	3,517	4,343	826	23.48%	48.90%	50.65%
Housing	2,291	2,752	461	20.12%	31.9%	32.1%
SME	971	1,100	129	13.27%	13.5%	12.8%
Retail	410	372	(38)	-9.22%	5.7%	4.3%
Public Institutions	3	7	3	90.68%	0.0%	0.1%
<b>Total</b>	<b>7,192</b>	<b>8,573</b>	<b>1,381</b>	<b>19.20%</b>	<b>100.0%</b>	<b>100.0%</b>

As clearly shown in the table above, the main driver behind the increase in loans was the "Corporate" caption by LBP 826 billion (+23.48%) and the "Housing" by LBP 461 billion (+20.12%), and the "SME" by LBP 129 billion (+13.27%).

#### Distribution of loans by economic sector

Sector/Industry (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
Real Estate & Construction	1,968	2,719	751	38.16%	27.36%	31.71%
Trade and Services	2,001	2,017	17	0.83%	27.82%	23.53%
Manufacturing & Industry	705	695	(10)	-1.45%	9.80%	8.10%
Financial Services	266	417	151	56.57%	3.70%	4.86%
Agriculture	186	36	(150)	-80.87%	2.59%	0.42%
Others	2,067	2,690	624	30.17%	28.73%	31.38%
<b>Total</b>	<b>7,192</b>	<b>8,573</b>	<b>1,381</b>	<b>19.20%</b>	<b>100.00%</b>	<b>100.00%</b>

The "Real Estate & Construction" sector became the largest exposure at year-end 2017 with a 31.71% share, followed by 23.53% for "Trade and Services" sector.

### Fair Value of guarantees against loan portfolio

The Bank employs collateral to mitigate credit risk, primarily over the loans and advances to customers. In addition, the Bank restricts its exposure to credit losses by entering into netting arrangements with counterparties.

Description (LBP billion)	31-Dec-16			31-Dec-17		
	Regular	NPLs	Total	Regular	NPLs	Total
Gross Balances	7,027	373	7,400	8,361	465	8,826
Unrealized Interest	-	(76)	(76)	-	(97)	(97)
Allowance for Impairment	-	(83)	(83)	-	(130)	(130)
Collective Provisions	(49)		(49)	(26)		(26)
<b>Net Loans Balances</b>	<b>6,978</b>	<b>214</b>	<b>7,192</b>	<b>8,335</b>	<b>238</b>	<b>8,573</b>
Pledged Bonds	1,259	2	1,260	1,549	2	1,551
1st Degree Mortgage	5,743	203	5,946	4,275	3,374	7,649
Debt Securities	13	-	13	22	-	22
Bank Guarantees	272	-	272	103	-	103
Vehicles	308	13	321	270	8	278
<b>Fair Value of real guarantees received</b>	<b>7,594</b>	<b>218</b>	<b>7,812</b>	<b>6,218</b>	<b>3,384</b>	<b>9,603</b>
<b>Fair Value of other guarantees received</b>	<b>3,392</b>	<b>8</b>	<b>3,400</b>	<b>2,641</b>	<b>7</b>	<b>2,648</b>
<b>Real Guarantee Coverage Ratio</b>	<b>108.83%</b>	<b>101.59%</b>	<b>108.62%</b>	<b>74.60%</b>	<b>1419.68%</b>	<b>112.01%</b>

As clearly reflected in the table above, the fair value of the real guarantees, mainly Cash Collateral and Mortgages, represented 109% of the Loan portfolio, which indicates the high quality of the loan portfolio.

### Classification of loans

As specified in the table below, the net non-performing loans ("NPLs"), after deduction of specific loan loss reserves, increased by LBP 24 billion (+11.18%), due mainly to the increase in gross NPLs by LBP 92 billion (+24.79%) coupled with the increase in Loan Loss Reserves ("LLRs") by LBP 68 billion.

Description (LBP billion)	Balances		Growth	
	31-Dec-16	31-Dec-17	Amount	%
<b>Regular loans</b>	<b>7,027</b>	<b>8,361</b>	<b>1,334</b>	<b>18.98%</b>
<b>Substandard Loans</b>	<b>166</b>	<b>108</b>	<b>(58)</b>	<b>-34.89%</b>
Gross balances	183	125	(58)	-31.70%
Unrealized interest	(16)	(16)	0	-2.99%
Impairment allowances	(1)	(1)	(0)	
<b>Doubtful Loans</b>	<b>48</b>	<b>130</b>	<b>82</b>	<b>170.85%</b>
Gross balances	190	340	151	79.38%
Unrealized interest	(59)	(81)	(21)	36.03%
Impairment allowances	(82)	(129)	(47)	57.31%
<b>Collective Provisions</b>	<b>(49)</b>	<b>(26)</b>	<b>23</b>	<b>-47.31%</b>
<b>Total Net Loans</b>	<b>7,192</b>	<b>8,573</b>	<b>1,381</b>	<b>19.20%</b>



### Loan portfolio quality ratios

The KPIs Loan ratios indicate a sustained high quality as compared to peer group and sector:

Ratio	Bank of Beirut			Peer Group	
	31-Dec-16	31-Dec-17	Variance	31-Dec-16	31-Dec-17
Regular Loans / Gross Loans	94.96%	94.73%	-0.23%	93.14%	92.54%
Gross SLs / Gross Loans	2.48%	1.42%	-1.06%	1.21%	1.83%
Gross DLs / Gross Loans	2.56%	3.85%	1.29%	5.65%	5.63%
Gross NPLs / Gross Loans	5.04%	5.27%	0.23%	6.86%	7.46%
Net SLs / Net Loans	2.31%	1.26%	-1.05%	1.07%	1.65%
Net DLs / Net Loans	0.67%	1.52%	0.85%	1.53%	1.61%
Net NPLs / Net Loans	2.98%	2.78%	-0.20%	2.60%	3.26%
Unrealized Interest on SLs / Gross SLs	9.20%	13.44%	4.24%	16.69%	15.28%
Specific LLRs on DLs / Gross DLs	74.69%	61.78%	-12.91%	74.60%	73.13%
Specific LLRs on NPLs / Gross NPLs	42.51%	48.78%	6.27%	64.40%	58.96%
Total LLRs / Gross NPLs	55.76%	54.37%	-1.38%	85.94%	80.71%
Net NPLs / Total Assets	0.83%	0.86%	0.03%	0.78%	0.93%
Net NPLs / Total Shareholders' Equity	6.16%	6.72%	0.57%	8.29%	9.94%
Collective provisions / Net Loans	0.69%	0.30%	-0.38%	1.57%	1.73%

SLs: Substandard Loans, DLs: Doubtful Loans, LLRs: Loan Loss Reserves

#### d- Investment Securities Portfolio

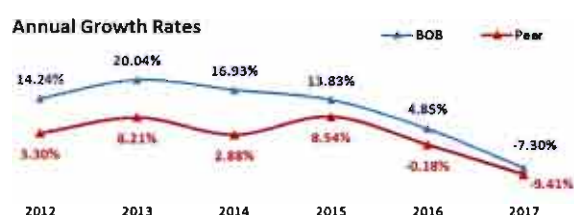
The Bank's securities portfolio, which consists of both fixed and variable income securities, decreased by LBP 775 billion during 2017, an annual negative growth rate of 7.30%, to reach LBP 9,828 billion while representing 35.50% of total assets as at 31 December 2017 (compared to 40.87% in 2016).

Description (LBP billion)	Balances		Growth		Breakdown	
	31-Dec-16	31-Dec-17	Amount	%	31-Dec-16	31-Dec-17
Debt instruments at amortized cost	9,113	8,310	(802)	-8.81%	85.95%	84.55%
Debt instruments at fair value through P&L	1,415	1,444	29	2.08%	13.34%	14.69%
Shares and participations at FVTPL	67	63	(3)	-4.91%	0.63%	0.64%
Shares and participations at FVTOCI	9	11	2	20.00%	0.08%	0.11%
<b>Total</b>	<b>10,603</b>	<b>9,828</b>	<b>(775)</b>	<b>-7.30%</b>	<b>100.00%</b>	<b>100.00%</b>

#### Growth by type of instruments

Description (LBP billion)	Balances		Growth	
	31-Dec-16	31-Dec-17	Amount	%
Lebanese Government Eurobonds (FCY)	3,893	3,833	(60)	-1.54%
Lebanese Treasury Bills (LBP)	2,688	2,258	(430)	-16.00%
CDs issued by BDL (LBP)	1,915	1,771	(144)	-7.51%
CDs issued by BDL (FCY)	1,101	1,020	(81)	-7.39%
Financial private sector debt securities	632	593	(39)	-6.10%
Foreign Government treasury bonds	136	142	6	4.30%
Certificates of deposit by financial sector	16	1	(15)	-94.34%
Accrued interest fixed income securities	146	136	(10)	-6.69%
Unquoted equity securities	62	59	(3)	-4.30%
Quoted equity securities and funds	14	15	1	8.63%
<b>Total</b>	<b>10,603</b>	<b>9,828</b>	<b>(775)</b>	<b>-7.30%</b>

The Bank's investment securities portfolio growth has continuously outpaced the peer group and sector. Consequently, the market share increased significantly during the past 5 years reaching 10.40% at year-end 2017.



**Peer Group Share evolution by instrument**

Description (LBP billion)	Peer Group Share	
	31-Dec-16	31-Dec-17
Lebanese Treasury bills (LBP)	10.34%	9.75%
Lebanese Sovereign Eurobonds (FCY)	17.77%	19.32%
BDL certificates of deposits (LBP)	9.73%	11.18%
BDL certificates of deposits (FCY)	4.32%	4.11%
Other debt instruments	10.00%	9.98%
Equity instruments	3.88%	3.46%
<b>Total</b>	<b>10.16%</b>	<b>10.40%</b>

**Fair Value of Debt instruments classified at Amortized Cost**

Description (LBP billion)	31-Dec-16			31-Dec-17		
	Cost *	Fair Value	Unrealized	Cost *	Fair Value	Unrealized
Lebanese Treasury bills (LBP)	2,061	2,083	22	1,600	1,617	17
Lebanese Sovereign Eurobonds (FCY)	3,611	3,477	(134)	3,535	3,373	(162)
BDL certificates of deposits (LBP)	1,656	1,673	17	1,532	1,560	28
BDL certificates of deposits (FCY)	925	933	8	843	845	1
Financial sector bonds (FCY)	632	632	0	593	591	(2)
Foreign Government Bonds (FCY)	90	90	-	90	90	0
Financial sector CDs (FCY)	16	16	0	1	1	-
<b>Total</b>	<b>8,991</b>	<b>8,904</b>	<b>(87)</b>	<b>8,193</b>	<b>8,077</b>	<b>(117)</b>

\* Excluding Accrued Interest

The valuation of the amortized cost debt securities at year-end 2017 revealed a negative variation of LBP 117 billion, compared to a negative valuation of LBP 87 billion as at 31 December 2016, due to the decline in the Lebanese Sovereign Eurobonds prices during the year 2017.

**e- Property & Equipment**

Description (LBP billion)	Net Balance		Growth	
	31-Dec-16	31-Dec-17	Amount	%
Land & Buildings	155	221	66	42.33%
Furniture	19	17	(1)	-7.20%
Equipment	12	15	3	21.26%
Vehicles	-	-	-	-
Installations and improvements	17	17	(1)	-4.24%
Advance on Capital expenditures	16	11	(5)	-31.61%
<b>Total</b>	<b>220</b>	<b>281</b>	<b>61</b>	<b>27.83%</b>

BOB - % of Total Assets	0.85%	1.01%
Peer Group - % of Total Assets	1.24%	1.23%

The "Property & Equipment" caption witnessed a significant increase during 2017 to reach LBP 281 billion, compared to LBP 220 billion as at 31 December 2016. This was mainly due to the acquisition of the new property building in London city to serve as head office of Bank of Beirut (UK) for the counter-value of LBP 38 billion, and to the acquisition of a complementary piece of land for the upcoming new head office building in Beirut for the counter-value of LBP 25 billion.

## B- Profitability

### Overview

The consolidated total net profit after tax increased in 2017 by 1.51% to LBP 308.2 billion, compared to LBP 303.6 billion for the year 2016.

This growth in profitability was driven by growth in business activities, coupled with efficient management of interest rate margins, high commission base and effective cost containment policy, with a focus on consistently increasing the operating non-interest base revenues.

The positive growth in the net earnings was due to:

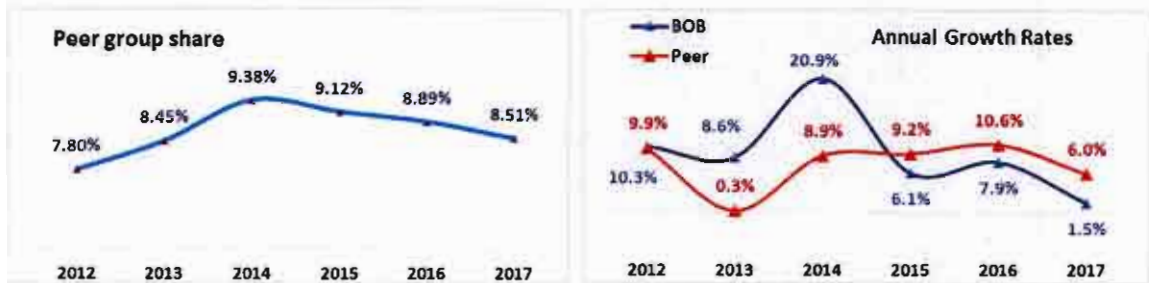
- Increase in "Net Interest Income" by LBP 54.4 billion (+14.23%)
- Increase in "Interest income from financial assets at FVTPL" by LBP 3.9 billion (+4.17%)
- Increase in "Net fee and commission income" by LBP 14.8 billion (+12.12%)
- Decrease in "Other gain/loss from FVTPL instruments" by LBP 7.7 billion (-68.3%), due mainly from the decrease in profit from sale of FVTPL securities by LBP 6.5 billion, the negative valuation of FVTPL investment securities booked in the consolidated investment funds and the decrease in profit from sale (LBP 1.8 billion).
- Decrease in "Other non-interest income" by LBP 9.9 billion (-33.99%) which resulted largely from the income decrease from sale of amortized cost investment securities.
- Increase in "Impairment losses" by LBP 28.1 billion, due to the increase provisioning against non-performing loans.
- Increase in "Operating Expenses" by LBP 16.1 billion (+5.55%)

After accounting for the non-controlling interest (mainly the net profit from controlled mutual funds), the net profit for the equity holders registered an increase by LBP 8.722 billion (+3.84%).

### Recap comparative consolidated income statements:

Description (LBP million)	Period ended ...		Growth	
	31-Dec-16	31-Dec-17	Amount	%
Interest income	1,136,261	1,245,325	109,064	9.60%
Interest expense	(754,103)	(808,804)	(54,701)	7.25%
<b>Net interest income</b>	<b>382,159</b>	<b>436,522</b>	<b>54,363</b>	<b>14.23%</b>
Net fee & commission income	122,475	137,322	14,847	12.12%
Interest income on FVTPL assets	92,588	96,450	3,862	4.17%
Other gains on FVTPL assets	11,310	3,584	(7,726)	-68.31%
Other non-interest income	28,993	19,137	(9,856)	-33.99%
<b>Operating income</b>	<b>637,524</b>	<b>693,014</b>	<b>55,490</b>	<b>8.70%</b>
Impairment losses (net)	(2,987)	(31,562)	(28,575)	956.67%
<b>Net operating income</b>	<b>634,537</b>	<b>661,452</b>	<b>26,915</b>	<b>4.24%</b>
<b>Operating Expenses</b>	<b>(289,727)</b>	<b>(305,813)</b>	<b>(16,087)</b>	<b>5.55%</b>
<b>Operating Profit</b>	<b>344,811</b>	<b>355,639</b>	<b>10,828</b>	<b>3.14%</b>
Income taxes	(41,243)	(47,483)	(6,240)	15.13%
<b>Net profit after tax</b>	<b>303,567</b>	<b>308,156</b>	<b>4,588</b>	<b>1.51%</b>
Non-controlling interest	(76,271)	(72,631)	3,640	-4.77%
<b>Net profit (Equity holders)</b>	<b>227,297</b>	<b>235,525</b>	<b>8,228</b>	<b>3.62%</b>

## Peer group analysis



## Peer Group banks comparative balances:

Bank (LBP million)	Balances		Growth		
	31-Dec-16	31-Dec-17	Amount	%	Rank
Bank Audi	709	843	134	18.90%	3
BLOM Bank	698	731	33	4.72%	8
Byblos Bank	249	256	7	2.90%	9
Fransabank	303	271	(32)	-10.69%	13
SGBL	303	333	30	9.81%	6
<b>BOB</b>	<b>304</b>	<b>308</b>	<b>5</b>	<b>1.51%</b>	<b>10</b>
BankMed	196	182	(14)	-7.24%	11
BLF	168	182	14	8.18%	7
Credit Libanais	106	123	17	15.72%	4
IBL Bank	121	153	32	26.63%	2
BBAC	78	72	(6)	-7.55%	12
FNB	62	55	(7)	-11.15%	14
LGB	53	60	7	12.85%	5
Creditbank	59	37	(23)	-38.44%	15
Saradar Bank	5	15	10	205.13%	1
<b>Total</b>	<b>3,414</b>	<b>3,620</b>	<b>206</b>	<b>6.04%</b>	

### Net profit by entity type

In 2017, the Bank has registered a positive growth in Bank of Beirut Lebanon's branches and local subsidiaries, however, the foreign affiliates profit declined by 15.78%, in addition to a decline in the "Investment Funds" by around 5%.

In line with the peer group, the share of net profit from foreign affiliates from total net profit (equity holders) reached 14.90% in 2017, down from 18.33% in 2016.

Entity (LBP million)	Year		Growth	
	2016	2017	Amount	%
Bank of Beirut - Lebanon	171,023	192,410	21,387	12.51%
Local Subsidiaries	34,046	35,991	1,945	5.71%
Foreign branches & Subsidiaries	41,664	35,089	(6,576)	-15.78%
Investment Funds	75,921	72,157	(3,764)	-4.96%
Eliminations & adjustments	(19,087)	(27,491)	(8,403)	44.03%
<b>Net Profit after Tax</b>	<b>303,567</b>	<b>308,156</b>	<b>4,588</b>	<b>1.51%</b>
<i>o.w. non-controlling interests</i>	76,271	72,631	(3,640)	-4.77%
<i>o.w. Equity Holders of the Bank</i>	227,297	235,525	8,228	3.62%



### Profitability KPIs

Ratio	BOB		Peer Group	
	2016	2017	2016	2017
+ Yield on earning assets	5.21%	5.36%	5.85%	6.10%
- Cost of earning assets	-3.20%	-3.23%	-3.84%	-4.11%
= Interest margin	2.01%	2.13%	2.01%	1.99%
x Average interest earning assets / average assets	93.76%	93.43%	96.10%	95.78%
= Interest Spread	1.89%	1.99%	1.93%	1.91%
+ Net non interest income / average assets	0.65%	0.60%	1.67%	1.00%
= Asset Utilization Ratio	2.54%	2.58%	3.60%	2.91%
x Net operating margin	47.62%	44.47%	29.71%	36.55%
o.w. Cost to income	45.45%	44.13%	43.19%	47.65%
o.w. Credit Cost	0.09%	3.18%	15.23%	6.21%
o.w. Other provisions	0.38%	1.38%	1.98%	1.68%
o.w. Tax Cost	6.47%	6.85%	9.89%	7.92%
= Return on average assets (ROAA)	1.21%	1.15%	1.07%	1.06%
x Leverage (average assets/average equity)	7.76	7.63	10.87	10.68
= Return on average equity (ROAE)	9.36%	8.77%	11.63%	11.35%

### Peer Group ranking evolution:

Ratio	Peer group Ranking	
	2016	2017
Return on Average Assets	3	4
Net operating margin	2	4
Cost to income	7	6
Interest Spread	6	4
Cost to average assets	4	6

## Net Interest Income

Description (LBP million)	Year		Growth		Breakdown	
	2016	2017	Amount	%	2016	2017
Placements with Central Banks	177,755	260,192	82,438	46.38%	15.64%	20.89%
Placements with banks *	14,271	21,284	7,013	49.14%	1.26%	1.71%
Loans to Banks	11,230	8,930	(2,300)	-20.48%	0.99%	0.72%
Financial assets at amortized cost	547,756	530,794	(16,962)	-3.10%	48.21%	42.62%
Loans to customers	385,250	430,679	45,429	11.79%	33.91%	34.58%
(Less) tax on interest	-	(6,553)	(6,553)		0.00%	-0.53%
<b>Interest income</b>	<b>1,136,261</b>	<b>1,245,325</b>	<b>109,064</b>	<b>9.60%</b>	<b>100.00%</b>	<b>100.00%</b>
Banks and financial Institutions	22,466	37,602	15,136	67.37%	2.98%	4.65%
Customers' deposits	725,780	763,100	37,319	5.14%	96.24%	94.35%
Certificates of Deposit	14	13	(0)	-1.69%	0.00%	0.00%
Other Borrowings	5,842	8,088	2,246	38.44%	0.77%	1.00%
<b>Interest expense</b>	<b>754,103</b>	<b>808,804</b>	<b>54,701</b>	<b>7.25%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Net Interest Income</b>	<b>382,159</b>	<b>436,522</b>	<b>54,363</b>	<b>14.23%</b>		
<b>Interest income financial assets at FVTPL</b>	<b>92,588</b>	<b>96,450</b>	<b>3,862</b>	<b>4.17%</b>	<b>8.15%</b>	<b>7.74%</b>
<b>Net Interest Income including FVTPL</b>	<b>474,747</b>	<b>532,972</b>	<b>58,225</b>	<b>12.26%</b>		

As reflected in the table above, the net interest income increased by 12.26% in 2017, mainly due to the increase in interest earned on Central Banks (+46.38%), on Loans to customers (+11.79%) and on placements with banks and financial loans to banks (+49.14%), offset partially by the increase in Interest expense on customers' deposits and borrowings from financial sector.

As a result, the main spread indicators have witnessed a notable improvement in spite of the continuous pressure on interest margins over last year indicators and over peer group averages:

Ratio	Bank of Beirut			Peer Group		
	2016	2017	Variance	2016	2017	Variance
Interest income / average assets	4.89%	5.00%	0.12%	5.64%	5.84%	0.20%
Interest expense / average assets	-3.00%	-3.02%	-0.02%	-3.71%	-3.93%	-0.22%
Interest spread (net interest income / average assets)	1.89%	1.99%	0.10%	1.93%	1.91%	-0.02%
Interest income / average interest earning assets	5.21%	5.36%	0.14%	5.85%	6.10%	0.25%
Interest expense / average interest bearing liabilities	-3.59%	-3.64%	-0.05%	-4.19%	-4.50%	-0.31%
Interest differential	1.62%	1.72%	0.10%	1.66%	1.60%	-0.06%
Yield on earning assets	5.21%	5.36%	0.14%	5.85%	6.10%	0.25%
Cost of earning assets	-3.20%	-3.23%	-0.03%	-3.84%	-4.11%	-0.27%
Interest margin	2.01%	2.13%	0.11%	2.01%	1.99%	-0.02%
Average interest earning assets / average assets	93.76%	93.43%	-0.33%	96.10%	95.78%	-0.32%
Interest expense / Interest income	61.37%	60.28%	-1.09%	65.72%	67.26%	1.54%
Net interest income / Operating income	74.47%	76.91%	2.44%	52.39%	66.66%	14.27%



## Non-interest Income

Description (LBP million)	Years		Growth	
	2016	2017	Amount	%
Net Fee and commission income	122,475	137,322	14,847	12.12%
Gains booked on financial assets at amortized cost	4,283	4,796	512	11.96%
Realized Gain from sale of AC investment securities	11,615	428	(11,188)	-96.32%
Realized Gain from sale of FVTPL investment securities	9,821	3,365	(6,455)	-65.73%
Change in fair value of trading portfolio	(2,467)	(4,261)	(1,794)	72.72%
Net Gain on sale of foreclosed assets	2,734	370	(2,364)	-86.48%
Net Gain on sale of property and equipment	306	(54)	(360)	-117.66%
Share in profit of an associate	1,727	901	(826)	-47.83%
Foreign exchange gain	14,819	20,644	5,825	39.31%
Charge on forward contract	(3,152)	(4,239)	(1,088)	34.52%
Other non-Interest income	616	772	156	25.29%
<b>Total</b>	<b>162,778</b>	<b>160,043</b>	<b>(2,735)</b>	<b>-1.68%</b>

The non-interest income registered in 2017 a slight decrease by LBP 2.7 billion (-1.68%) which was mainly derived from the decrease in "Realized gain from sale of Amortized Cost investment securities" by LBP 11.2 billion and from the sale of FVTPL securities by LBP 6.5 billion. The shortage was partially offset by the increase in the more considered "operating profit", namely the "Net Fee and Commission income" by LBP 14.8 billion (+12.12%) and the Foreign Exchange gain by LBP 5.8 billion (+39.31%).

By comparing Bank of Beirut non-interest income ratios with peer group averages, it is worth noting that in 2016 major banks have booked the net results from BDL swaps either as commission income or as other non-interest operating income, which resulted in an obvious distortion of ratios.

Ratio	Bank of Beirut			Peer Group		
	2016	2017	Variance	2016	2017	Variance
Net non interest income/average assets	0.65%	0.60%	-0.05%	1.67%	1.00%	-0.67%
Non interest income/Operating income	25.53%	23.09%	-2.44%	40.26%	29.80%	-10.46%
Non interest income/average deposits	0.87%	0.82%	-0.05%	3.65%	2.13%	-1.52%
Net commissions received/average deposits	0.66%	0.70%	0.05%	1.80%	1.00%	-0.81%

## Provisions for credit losses

Description (LBP million)	Years		Growth	
	2016	2017	Amount	%
Provisions against credit risk charged during the year	10,211	25,792	15,582	152.60%
Write-back of provision during the year	(9,810)	(3,818)	5,993	-61.09%
Loss from write-off of loans	153	34	(119)	-77.76%
<b>Net provisions against credit losses</b>	<b>554</b>	<b>22,009</b>	<b>21,455</b>	<b>3874.68%</b>
Provision for insurance liabilities	2,433	6,059	3,626	149.03%
Provision for risks and charges	-	3,000	3,000	
Other (net)	-	494	494	
<b>Other provisions (net)</b>	<b>2,433</b>	<b>9,553</b>	<b>7,120</b>	<b>292.62%</b>
<b>Total</b>	<b>2,987</b>	<b>31,562</b>	<b>28,575</b>	<b>956.67%</b>

## Other operating expenses

Description (LBP million)	Year		Growth	
	2016	2017	Amount	%
Staff expenses	166,968	174,580	7,613	4.56%
General operating expenses	100,427	108,331	7,904	7.87%
Depreciation and amortization	22,332	22,902	570	2.55%
<b>Total</b>	<b>289,727</b>	<b>305,813</b>	<b>16,087</b>	<b>5.55%</b>

The main drivers behind the 5.55% year-on-year increase in the operating expenses could be summarized by the following:

- Staff count growth by 146 Full-Time Employees during 2017
- Opening of 4 new branches in Lebanon
- Increased IT investment (strategic new applications e.g. Lending Solution, CRM, Online Banking, Mobile Banking, etc.)

## Operating Efficiency

On the operating efficiency level, cost to income ratio decreased slightly to reach 44.13% due to moderate increase in Operating Expenses (+5.55%) as compared to much higher increase in Operating (+8.70%).

Ratio	Unit	Bank of Beirut			Peer Group		
		2016	2017	Variance	2016	2017	Variance
<b>Cost ratios</b>							
Staff expenses / operating income	%	26.19%	25.19%	-1.00%	21.87%	25.99%	4.12%
General expenses / operating income	%	15.75%	15.63%	-0.12%	14.17%	17.80%	3.63%
Depreciation / operating income	%	3.50%	3.30%	-0.20%	2.72%	3.12%	0.41%
Impairment of goodwill / operating income	%	0.00%	0.00%	0.00%	3.30%	1.92%	-1.37%
Cost to income ratio	%	45.45%	44.13%	-1.32%	42.05%	48.84%	6.79%
Cost to average assets	%	1.15%	1.14%	-0.01%	1.56%	1.39%	-0.17%
Effective tax rate	%	11.96%	13.35%	1.39%	23.60%	18.43%	-5.18%
<b>Operating efficiency</b>							
Number of Staff	Count	1,851	1,997	146	30,865	30,854	(11)
Number of branches and banking units	Count	87	91	4	1,211	1,197	(14)
Staff per branch	Count	21.3	21.9	0.7	25.5	25.8	0.3
Average assets per average staff	LBP million	13,644	13,937	293	10,323	11,027	704
Average deposits per average staff	LBP million	10,116	10,143	27	8,428	8,766	338
Staff expenses per average staff	LBP million	91	91	0	84	81	(7)
Operating Income per average staff	LBP million	346	360	14	382	313	(69)
Net profit per average staff	LBP million	165	160	(5)	111	117	7
Assets per branch	LBP million	298,174	304,254	6,080	254,092	275,173	21,081
Total Deposits per branch	LBP million	217,503	220,962	3,459	219,581	229,835	10,254
Operating Income per branch	LBP million	7,328	7,616	288	9,744	8,073	(1,671)
Net profit per branch	LBP million	3,489	3,386	(103)	2,819	3,024	205

As signaled in the table above, the Bank has been able to preserve and enhance most of the operating efficiency indicators within good ranges as compared to year 2016 and to the peer group:

#### Evolution of number of Full-Time Employees:

Bank of Beirut group (count)	Count			Breakdown		Peer Group Share	
	31-Dec-16	31-Dec-17	Variance	31-Dec-16	31-Dec-17	Variance	31-Dec-16
Banking entities	1,776	1,916	140	95.95%	95.94%	6.13%	6.64%
Non-Banking entities	75	81	6	4.05%	4.06%	3.97%	4.06%
<b>Total</b>	<b>1,851</b>	<b>1,997</b>	<b>146</b>	<b>100.00%</b>	<b>100.00%</b>	<b>6.00%</b>	<b>6.47%</b>
Staff in Lebanon	1,512	1,616	104	81.69%	80.92%	6.90%	7.09%
Staff Abroad	339	381	42	18.31%	19.08%	3.78%	4.72%
<b>Total</b>	<b>1,851</b>	<b>1,997</b>	<b>146</b>	<b>100.00%</b>	<b>100.00%</b>	<b>6.00%</b>	<b>6.47%</b>

#### Calculation of Earnings per common share (EPS)

Description (LBP million)	Years		Growth		
	2016	2017	Amount	%	
Consolidated net profit	303,567	308,156	4,588	1.51%	
(Less) Non-Controlling interests	(76,271)	(72,631)	3,640	-4.77%	
<b>Consolidated net profit - Equity holders of the Group</b>	<b>227,297</b>	<b>235,525</b>	<b>8,228</b>	<b>3.62%</b>	
(Less) Priority Dividends on Priority Common Shares	(6,030)	(6,030)	-	0.00%	
Dividends on non-cumulative pref. shares	(50,456)	(56,828)	(6,372)	12.63%	
<b>Common Earnings</b>	<b>170,811</b>	<b>172,667</b>	<b>1,856</b>	<b>1.09%</b>	
Weighted average number of common shares	51,924,203	52,986,944	1,062,741	2.05%	
Weighted average number of priority common shares	4,627,377	4,677,788	50,411	1.09%	
<b>Total weighted average number of Common Shares</b>	<b>56,551,580</b>	<b>57,664,732</b>	<b>1,113,152</b>	<b>1.97%</b>	
Basic Earnings per Common Share	LBP	3,020	2,994	(26)	-0.86%
Basic Earnings per Priority Common Share	LBP	4,324	4,283	(40)	-0.93%
Diluted Earnings per share	LBP	3,020	2,994	(26)	-0.86%

The common earnings (net profit attributable to common shareholders) recorded a slight growth of 1.09% in 2017 after accounting for the Preferred Shares dividends and the priority dividends for Priority Common Shares (i.e. 4% of issue price per share – USD 21). The additional growth in the weighted average number of Common Shares of 1.97% pushed the Basic Earnings per Common Share (EPS) to LBP 2,994 in 2017 from LBP 3,020 for the year 2016, a slight decline by 0.86%.

#### Calculation of preferred shares dividends

Issue	Issue Value USD	Dividend Rate	Dividends (USD)	
			2016	2017
Preferred Shares series "G"	124,950,000	6.75%	8,434,125	8,434,125
Preferred Shares series "H"	135,000,000	7.00%	9,450,000	9,450,000
Preferred Shares series "I"	125,000,000	6.75%	8,437,500	8,437,500
Preferred Shares series "J"	75,000,000	6.50%	4,875,000	4,875,000
Preferred Shares series "K" *	100,000,000	6.50%	2,273,224	6,500,000
			<b>33,469,849</b>	<b>37,696,625</b>

\* PS series K closing date 25 August 2016

### C- Capitalization

The Bank's consolidated equity grew by LBP 63.3 billion, reaching LBP 3,547 billion as at 31 December 2017, an increase of 1.82% compared to 2016 year-end.

Description (LBP million)	Balances		Growth	
	31-Dec-16	31-Dec-17	Amount	%
Ordinary share capital	77,650	77,650	-	0.00%
Shareholders' cash contribution to capital	20,978	20,978	-	0.00%
Priority Common Shares	150,753	150,753	-	0.00%
Non-cumulative preferred shares	844,125	844,125	-	0.00%
Issue premium on common shares	303,519	303,519	-	0.00%
Reserves and Retained Earnings	761,696	885,846	124,150	16.30%
Treasury Shares	(56,879)	(105,831)	(48,952)	86.06%
Hedge Accounting & translation adjustments	(26,274)	(18,132)	8,142	-30.99%
Net profit after tax - Group Share	227,297	235,525	8,228	3.62%
<b>Equity attributable to the equity holders</b>	<b>2,302,865</b>	<b>2,394,433</b>	<b>91,568</b>	<b>3.98%</b>
Non-Controlling interests	1,180,355	1,152,108	(28,246)	-2.39%
<b>Total Equity</b>	<b>3,483,220</b>	<b>3,546,541</b>	<b>63,322</b>	<b>1.82%</b>

The growth in Equity was mainly derived from the following:

- Increase in reserves and retained earnings by LBP 124 billion
- Decrease in non-controlling interests by LBP 28.2 billion due to the decline of the net asset value of consolidated mutual funds
- The increase in net profit – equity holders by LBP 8.2 billion.
- The decrease of the hedge accounting & translation adjustment due to the better valuation of the AUD hedge position.

With the achieved level of equity, Bank of Beirut reflected the highest capitalization levels among its peer group, achieving the 1<sup>st</sup> rank, among the Alpha Group banks, with "Equity to Asset ratio" of 12.81% as at 31 December 2017 compared to 9.35% for the peer group.

#### Distribution of Equity by type:

Description (LBP million)	Balances		Growth	
	31-Dec-16	31-Dec-17	Amount	%
Common Equity	1,458,740	1,550,309	91,568	6.28%
Preferred Equity	844,125	844,125	-	0.00%
<b>Equity attributable to the equity holders</b>	<b>2,302,865</b>	<b>2,394,433</b>	<b>91,568</b>	<b>3.98%</b>
Non-controlling interests	1,180,355	1,152,108	(28,246)	-2.39%
<b>Total Equity</b>	<b>3,483,220</b>	<b>3,546,541</b>	<b>63,322</b>	<b>1.82%</b>

As shown in the table above, the preferred equity share of total shareholders' equity (controlling interests) decreased from 36.66% as at 31 December 2016 to 35.25% as at year-end 2017.

## Capital Structure

The Bank's capital constitutes Common, Priority and Preferred Shares as follows:

Share type	Number of shares	
	31-Dec-16	31-Dec-17
Common shares	53,184,900	53,184,900
Priority Common Shares	4,762,000	4,762,000
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	3,000,000
Preferred Shares Series "K"	4,000,000	4,000,000
<b>Total</b>	<b>78,916,900</b>	<b>78,916,900</b>

As shown in the table above, there has been no change in the capital structure during 2017.

### Preferred shares overview

Currently, the total issue value of the outstanding Preferred Shares stands at around USD 559.95 million, representing 35.25% of total shareholders' equity – equity holders of the Bank. The main features of the outstanding Preferred Shares are as follows:

Description	Series "G"	Series "H"	Series "I"	Series "J"	Series "K"
Number of shares	3,570,000	5,400,000	5,000,000	3,000,000	4,000,000
Issue price per share	\$35.00	\$25.00	\$25.00	\$25.00	\$25.00
Issue Size (USD 000's)	\$124,950	\$135,000	\$125,000	\$75,000	\$100,000
Dividend rate p.a.	6.75%	7.00%	6.75%	6.50%	6.50%
Non-Cumulative, Perpetual, Redeemable	Yes	Yes	Yes	Yes	Yes
Convertible to Common Shares	Yes	No	No	No	No
Redemption price per share	\$35.00	\$25.00	\$25.00	\$25.00	\$25.00
Conversion exercise price	\$35.00	-	-	-	-
Redemption right holder	BOB	BOB	BOB	BOB	BOB
Conversion right holder	Holder	-	-	-	-
Conversion date	30-Dec-15	-	-	-	-
Listing on Beirut Stock Exchange	No	Yes	Yes	Yes	Yes
Issue date	29-Sep-10	30-Jun-11	19-Nov-12	17-Nov-14	26-May-16
Closing date *	29-Dec-10	28-Sep-11	28-Dec-12	26-Dec-14	25-Aug-16
First redemption exercise date	30-Dec-16	30-Dec-16	30-Dec-17	30-Dec-19	30-Dec-21
Second redemption exercise date	30-Dec-17	30-Dec-18	30-Dec-19	30-Dec-21	30-Dec-23
Next redemption exercise date	30-Dec-18	30-Dec-18	30-Dec-19	30-Dec-21	30-Dec-23

\* Closing date: the date of the Bank's Extraordinary General Meeting of shareholders that verifies the validity and ascertains the payment of capital increase related to the issuance

## Capital Adequacy

Maintaining its position as the Bank with highest capitalization level among the peer group banks, Bank of Beirut reflected a very healthy set of Capital ratios.

The high level of capital adequacy confirmed the Bank's strategy in strengthening its Capital base in order to fund its expansion strategy, in addition to complying comfortably with the Basel III requirements; taking into consideration the increasing risk weights applied on the exposure to Lebanese sovereign risk.

### Capital Adequacy Ratio under Basel III

Description (LBP million)	Balances/Ratio		Variation	
	31-Dec-16	31-Dec-17	Amount	%
Common Equity (Net)	1,299,446	1,380,366	80,920	6.23%
Additional Tier 1 Capital (Net)	844,125	844,125	-	0.00%
Net Tier 2 Capital	14,449	13,157	(1,293)	-8.95%
<b>Total Regulatory Capital</b>	<b>2,158,020</b>	<b>2,237,647</b>	<b>79,627</b>	<b>3.69%</b>
RWA - Credit Risk	13,383,464	13,548,257	164,794	1.23%
RWA - Market Risk	85,010	105,952	20,941	24.63%
RWA - Operational Risk	973,383	1,056,679	83,296	8.56%
<b>Total RWA</b>	<b>14,441,857</b>	<b>14,710,887</b>	<b>269,031</b>	<b>1.86%</b>
Common Equity Ratio Tier 1 Ratio	9.00%	9.38%	0.39%	
Tier 1 Capital Ratio	14.84%	15.12%	0.28%	
<b>Total Capital Ratio</b>	<b>14.94%</b>	<b>15.21%</b>	<b>0.27%</b>	

NB: Calculation of capital ratios is based on consolidated financial statements after de-consolidation of the controlled investment funds.

Under Basel III, the Capital Adequacy ratio stood at year-end 2017 at 15.21%, up from 14.94% as at 31 December 2016, compared to the minimum required ratio by the Central Bank of Lebanon of 14.50%. The calculation of year-end 2017 ratios took into consideration the retained earnings from year 2017 consolidated net profit after accounting for the preferred shares dividends, priority dividends for priority shares and the suggested common shares dividends (i.e. LBP 1,150 per share – subject to the OGM approval).

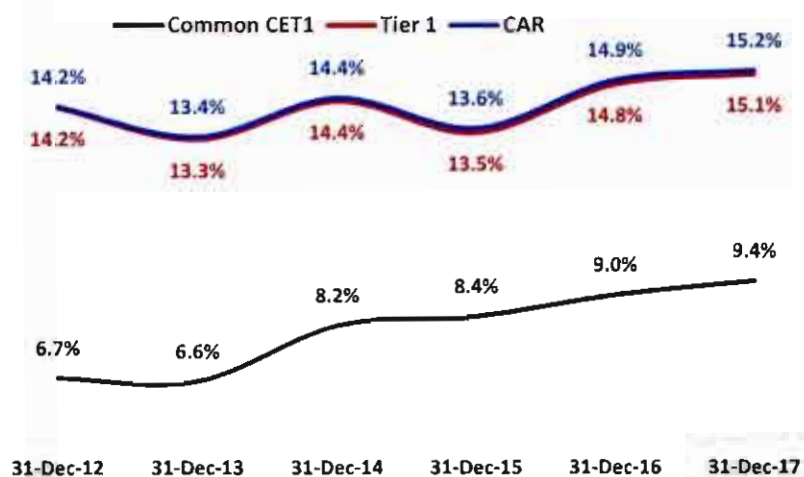
Pursuant to the Central Bank's Decision, with respect to the application of the Basel III regulation, all banks operating in Lebanon must gradually reach the following capital ratios:

Minimum Regulatory Ratios	Minimum Ratios			
	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18
Common Equity Tier 1 Ratio	8.00%	8.50%	9.00%	10.00%
Tier 1 Capital Ratio	10.00%	11.00%	12.00%	13.00%
Capital Ratio	12.00%	14.00%	14.50%	15.00%

As shown in the tables below, Bank of Beirut is already compliant with Basel III capital requirements, more specifically, with a common equity ratio of 9.42% (as compared to 9.00% minimum required):

Minimum Regulatory Ratios (LBP million)	Minimum Ratios		Excess Capital	
	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17
Common Equity Tier 1 Ratio	8.50%	9.00%	71,888	56,386
Tier 1 Capital Ratio	11.00%	12.00%	554,966	459,184
Capital Ratio	14.00%	14.50%	136,160	104,569

### Evolution of Capital Adequacy Ratios



### Leverage Ratios

Description (LBP millions)	Balances/Ratio		Variation	
	31-Dec-16	31-Dec-17	Amount	%
Common Equity (Net)	1,299,446	1,380,366	80,920	6.23%
Additional Tier 1 Capital (Net)	844,125	844,125	-	0.00%
Net Tier 2 Capital	14,449	13,157	(1,293)	-8.95%
<b>Total Regulatory Capital</b>	<b>2,158,020</b>	<b>2,237,647</b>	<b>79,627</b>	<b>3.69%</b>
On-Balance Sheet Exposure	24,747,869	26,526,054	1,778,186	7.19%
Off-Balance Sheet Exposure	2,427,440	2,053,548	(373,892)	-15.40%
<b>Total Credit Exposure</b>	<b>27,175,308</b>	<b>28,579,602</b>	<b>1,404,294</b>	<b>5.17%</b>
Common Tier 1 Leverage Ratio	4.78%	4.83%	0.05%	
Tier 1 Leverage Ratio	7.89%	7.78%	-0.10%	
Total Leverage Ratio	7.94%	7.83%	-0.11%	

## D- Share information

### Common Shares performance

Indicator	Unit	31-Dec-16	31-Dec-17	Variance
Common Share market price	LBP	28,341	28,341	-
Priority Share market price	LBP	31,658	31,658	-
Total number of ordinary common shares	Count	53,184,900	53,184,900	-
Total number of priority common shares	Count	4,762,000	4,762,000	-
Common equity book value (1)	LBP million	1,402,254	1,487,451	85,196
Common Share book value	LBP	24,199	25,669	1,470
Market Capitalization (end of period)	LBP million	1,658,066	1,658,066	-
Market Value added	LBP million	255,812	170,616	(85,196)
Market Value added/Market capitalization	%	15.43%	10.29%	-5.14%
Basic Earnings per Share (EPS)	LBP	3,020	2,994	(26)
Basic EPS / Common share market price	%	10.66%	10.57%	-0.09%
Price to common earnings - P/E Ratio (2)	Times	9.38	9.46	0.08
Price to common book value - M/B Ratio	Times	1.17	1.10	(0.07)
Price to assets	%	6.39%	5.99%	-0.40%

(1) Including the common earnings of the year & Excluding non-controlling interest (2) Calculated as basic earnings per share / common share market price

The Common Share market price was stable during 2017 at USD 18.80. Since there has been no issuance of new Common Shares, the market capitalization stabilized at LBP 1,658 billion (USD 1,100 million). However, the book value per common share increased by 6.08% due the increase of common equity book value. Consequently, the "price to book value" decreased to 1.10 times, compared to 1.17 times at the end of year 2016. The "price to assets" ratio stood at a very healthy level of 5.99%, one of the lowest in the market.





#### Listing of outstanding shares at Beirut Stock Exchange

Number of Shares (Count)	Status		
	Listed	Non Listed	Total
Ordinary Common Shares	17,746,417	35,438,483	53,184,900
Priority Common Shares	4,762,000		4,762,000
<b>Total Common Shares</b>	<b>22,508,417</b>	<b>35,438,483</b>	<b>57,946,900</b>
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		3,000,000
Preferred Shares Series "K"	4,000,000		4,000,000
<b>Total Preferred Shares</b>	<b>17,400,000</b>	<b>3,570,000</b>	<b>20,970,000</b>
<b>Total Shares</b>	<b>39,908,417</b>	<b>39,008,483</b>	<b>78,916,900</b>
<b>Listed Common / Total Common</b>	<b>38.84%</b>		
<b>Total Listed / Total Shares</b>	<b>50.57%</b>		

#### E- Dividends

The Board of Directors has suggested to the Ordinary General Meeting for its meeting scheduled on May 4<sup>th</sup> 2017, the appropriation of Bank of Beirut year 2017 net profit as follows:

Description (LBP million)	Fiscal Year		Growth	
	2016	2017	Amount	%
Net profit after tax	303,567	308,156	4,588	1.5%
(Less) Non-controlling Interests	(76,271)	(72,631)	3,640	-4.8%
<b>Net Profit after tax - Equity Holders</b>	<b>227,297</b>	<b>235,525</b>	<b>8,228</b>	<b>3.6%</b>
<b>Deductions</b>				
Dividends on Preferred Shares	50,456	56,828	6,372	12.6%
Priority Dividends on Priority Shares	6,030	6,030	-	0.0%
Legal Reserve	18,988	19,945	957	5.0%
Regulatory reserve for General Banking Risk	27,000	-	(27,000)	-100.0%
Regulator reserves on Foreclosed Assets	1,368	2,295	927	67.8%
Regulatory reserves from net gain on sale foreclosed Properties	2,734	370	(2,364)	-86.5%
Regulatory reserves from realized profit on treasury shares	63	372	308	488.4%
Regulatory reserves against performing retail loan portfolio	2,200	-	(2,200)	-100.0%
<b>Total deductions</b>	<b>108,838</b>	<b>85,839</b>	<b>(22,999)</b>	<b>-21.1%</b>
<b>Net profit eligible for distribution</b>	<b>194,729</b>	<b>222,317</b>	<b>27,588</b>	<b>14.2%</b>
Number of outstanding Common Shares	57,946,900	57,946,900	-	0.0%
Declared Dividend per Common Shares (LBP)	1,000	1,150	150	15.0%
Total suggested dividends to common shareholders	57,947	66,639	8,692	15.0%
<b>Retained Earnings &amp; other reserves</b>	<b>136,782</b>	<b>155,678</b>	<b>18,896</b>	<b>13.8%</b>

The suggested increase in Dividend per Share (DPS) from LBP 1,000 to LBP 1,150 (+15.00%) shall boost the Dividend Yield (DPS/Market price of the share) from 3.53% to 4.06% while maintaining the Dividend payout

ratio of common shares for year 2017 at a close range of year 2016 (i.e. 30.85% in 2017 as compared to 28.15% in 2016)



## F- Liquidity

The conservation of adequate liquidity has invariably been the Bank's policy to retain a high level of liquid assets and a diversified and stable funding base.

Monitored and controlled by the Asset Liability Committee (ALCO), the liquidity position of the Bank is managed on daily basis by the Treasury Department with liquidity risks being consistently measured, monitored, and scrutinized by the Risk Management Department. Ensuring low liquidity risk is evidenced by the following factors:

- Sufficient high-quality liquid assets, including high level placements with well reputed and highly rated global banks
- Diversification in the securities portfolio
- Stability in customers' deposits
- Manageable cash-flow mismatching gaps
- Non-reliance on whole-sale funding

The liquidity ratios, in both local and foreign currencies, maintained the healthy levels of 2016, while the loan to deposit ratio increasing to the level of 42.64%.

Description (LBP billion)	LBP		FCY	
	31-Dec-16	31-Dec-17	31-Dec-16	31-Dec-17
Cash on hand	18	24	30	33
Due from Central Bank(s)	1,758	2,157	3,864	4,367
Due from Banks & Financial Institutions	36	21	1,471	1,527
(Less): Due to banks & Financial Institutions	(279)	(114)	(1,725)	(1,981)
(Less): Pledged Deposits with banks	-	-	(68)	(73)
Equity Instruments at FVTPL	-	-	67	63
Debt instruments at FVTPL	903	910	511	534
<b>Core Liquid Assets</b>	<b>2,436</b>	<b>2,998</b>	<b>4,152</b>	<b>4,470</b>
Debt instruments at Amortized Cost	3,782	3,191	5,331	5,119
Equity instruments at FVOCI	5	5	4	5
Loans to Banks	22	18	246	279
<b>Other Liquid Assets</b>	<b>3,809</b>	<b>3,214</b>	<b>5,580</b>	<b>5,403</b>
<b>Total net liquid assets</b>	<b>6,245</b>	<b>6,212</b>	<b>9,732</b>	<b>9,873</b>
Customers' deposits	5,747	5,630	13,176	14,478
(Less): Cash collateral & Margins	(409)	(382)	(995)	(1,024)
Certificates of deposits	-	-	1	1
Other Borrowings	492	690	96	303
Liabilities under acceptance	-	-	267	357
Other Liabilities	347	328	283	200
<b>Total Financial Liabilities</b>	<b>6,177</b>	<b>6,266</b>	<b>12,827</b>	<b>14,315</b>
<b>Core liquidity Ratio</b>	<b>39.44%</b>	<b>47.85%</b>	<b>32.37%</b>	<b>31.23%</b>
<b>Total net liquidity ratio</b>	<b>101.09%</b>	<b>99.14%</b>	<b>75.87%</b>	<b>68.97%</b>

Other Liquidity KPIs as compared with peer group:

Ratio	Bank of Beirut			Peer Group		
	31-Dec-16	31-Dec-17	Variance	31-Dec-16	31-Dec-17	Variance
Loans in LBP to deposits in LBP ratio	28.95%	32.28%	3.33%	24.44%	28.87%	4.44%
Loans in FCY to deposits in FCY ratio	41.96%	46.66%	4.70%	42.49%	39.35%	-3.14%
Loans to deposits ratio	38.01%	42.64%	4.63%	37.07%	36.42%	-0.64%
Deposits (LBP) / Assets (LBP)	68.64%	67.35%	-1.28%	74.26%	67.15%	-7.11%
Deposits (FCY) / Assets (FCY)	75.00%	74.90%	-0.09%	83.95%	83.80%	-0.14%
Deposits / Assets	72.95%	72.62%	-0.32%	80.78%	78.37%	-2.41%
Investment securities portfolio in LBP / Total assets in LBP	56.02%	49.14%	-6.88%	42.43%	34.05%	-8.38%
Investment securities portfolio in FCY / Total assets in FCY	33.65%	29.60%	-4.05%	26.46%	23.46%	-3.00%
Investment securities portfolio / Total Assets	40.87%	35.50%	-5.38%	31.68%	26.91%	-4.76%

## Comparative Consolidated Balance Sheets

Description (LBP 000's)	Audited						
	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14	31-Dec-15	31-Dec-16	31-Dec-17
Cash and deposits at central banks	2,352,430,632	3,405,046,629	4,088,481,847	4,272,791,353	4,803,172,663	5,670,659,645	6,581,635,483
Deposits with banks and financial institutions	1,387,803,731	1,267,179,018	1,875,967,997	1,701,180,082	1,988,649,306	1,507,514,206	1,547,299,126
Trading Assets	1,072,532,323	980,013,039	810,040,567	1,128,250,634	1,344,671,662	1,481,295,880	1,507,433,409
Loans to banks	365,626,387	460,523,121	532,621,123	597,267,154	305,823,338	263,273,658	292,410,807
Loans and advances (less provision for credit losses)	4,485,904,932	5,093,927,188	5,593,500,602	6,187,406,519	6,313,524,138	7,086,389,206	8,445,100,947
Loans and advances to related parties	154,980,954	123,175,116	128,732,858	104,732,990	94,099,113	105,951,510	128,160,657
Investment securities	4,467,793,331	5,349,061,121	6,787,356,388	7,755,743,263	8,768,137,825	9,121,676,399	8,321,007,613
Customers' acceptance liability	457,406,326	410,635,482	368,260,084	382,283,868	292,528,504	267,377,142	357,494,071
Investment in associates	35,768,858	31,297,419	34,038,008	37,679,064	40,289,296	40,876,914	41,535,338
Assets acquired in satisfaction of loans	27,618,905	21,355,189	20,396,848	23,335,113	26,874,037	24,767,329	22,742,704
Properties and equipment (less accumulated depreciation)	117,889,505	135,844,668	141,587,371	151,247,422	212,689,834	219,599,671	280,703,585
Goodwill	88,736,427	88,856,890	88,900,170	88,794,353	88,712,217	88,429,315	88,564,254
Other assets	47,886,753	56,606,427	57,546,288	53,757,133	70,868,015	63,311,867	73,049,675
<b>Total Assets</b>	<b>15,062,379,064</b>	<b>17,423,521,307</b>	<b>20,527,430,151</b>	<b>22,484,468,948</b>	<b>24,350,039,948</b>	<b>25,941,122,742</b>	<b>27,687,137,669</b>
Deposits and borrowing from banks and financial institutions	732,303,647	1,043,392,577	1,680,842,935	1,687,638,813	1,730,893,221	2,004,164,512	2,095,011,208
Customers' deposits	11,249,038,415	13,260,283,015	15,337,800,117	16,520,464,989	18,024,958,873	18,480,241,847	19,583,003,861
Related Parties Deposits	177,564,866	210,474,088	207,681,243	283,523,540	340,438,736	442,541,150	524,577,443
Liabilities under acceptance	457,406,326	410,635,482	368,260,084	382,283,868	292,528,504	267,377,142	357,494,071
Other borrowings	42,621,595	52,309,733	298,335,163	483,609,712	608,143,930	587,663,688	993,565,272
Certificates of deposits	226,726,442	46,793,527	30,296,399	682,016	664,897	565,326	634,044
Other Liabilities	155,313,423	223,875,818	274,029,297	357,926,923	310,962,666	630,326,673	528,083,050
Provisions	34,636,319	42,074,867	32,674,145	32,963,485	40,598,259	45,022,811	58,227,365
Subordinated Loans	18,090,000	-	-	-	-	-	-
Shareholders' equity	1,811,062,534	1,963,440,847	2,108,482,860	2,514,943,415	2,779,628,976	3,255,922,907	3,311,016,314
Net Income of the year	157,615,497	170,241,353	189,027,908	220,432,187	221,221,886	227,296,686	235,525,041
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>15,062,379,064</b>	<b>17,423,521,307</b>	<b>20,527,430,151</b>	<b>22,484,468,948</b>	<b>24,350,039,948</b>	<b>25,941,122,742</b>	<b>27,687,137,669</b>

## Comparative consolidated Income Statements

Description (LBP 000's)	Audited					
	2012	2013	2014	2015	2016	2017
Interest income	762,078,199	877,737,282	997,234,987	1,050,694,535	1,136,261,446	1,251,878,868
(Less) Taxes on interest						(6,553,371)
Interest expense	(500,889,344)	(578,546,486)	(656,868,924)	(705,868,760)	(754,102,838)	(808,803,778)
<b>Net interest income</b>	<b>261,188,855</b>	<b>299,190,796</b>	<b>340,366,063</b>	<b>344,825,775</b>	<b>382,158,608</b>	<b>436,521,719</b>
Fee and commission income	123,687,742	117,449,191	139,301,233	142,244,678	146,757,141	163,431,229
Fee and commission expense	(15,559,556)	(19,770,422)	(25,373,796)	(22,810,661)	(24,282,115)	(26,108,780)
<b>Net fee and comision income</b>	<b>108,128,186</b>	<b>97,678,769</b>	<b>113,927,437</b>	<b>119,434,017</b>	<b>122,475,026</b>	<b>137,322,449</b>
Net interest and other gain on trading securities	80,940,813	60,891,287	74,381,611	92,992,817	103,897,939	100,033,473
Net interest and gain on financial liability designated at fair value	(74,470)	-	-	-	-	-
Gain from derecognition of financial assets at amortized cost	21,227,757	64,071,146	74,716,652	69,857,341	11,615,492	427,788
Other operating income	18,366,181	12,700,718	17,832,855	18,758,762	17,377,265	18,708,986
<b>Net financial revenues</b>	<b>489,777,322</b>	<b>534,532,716</b>	<b>621,224,618</b>	<b>645,868,712</b>	<b>637,524,330</b>	<b>693,014,415</b>
Provision for credit losses (net)	(11,669,618)	(17,840,998)	(33,877,966)	(32,095,311)	(553,730)	(22,008,996)
Net allowance for impairment of other assets	(6,947,597)	(3,141,389)	(878,422)	(446,259)	(2,433,215)	(9,553,264)
<b>Total Impairment Charge</b>	<b>(18,617,215)</b>	<b>(20,982,387)</b>	<b>(34,756,388)</b>	<b>(32,541,570)</b>	<b>(2,986,945)</b>	<b>(31,562,260)</b>
<b>Net operating income after impairment charge</b>	<b>471,160,107</b>	<b>513,550,329</b>	<b>586,468,230</b>	<b>613,327,142</b>	<b>634,537,385</b>	<b>661,452,155</b>
Staff costs	(127,887,845)	(133,156,087)	(144,180,523)	(164,387,895)	(166,967,673)	(174,580,298)
General operating expenses	(89,714,655)	(103,344,929)	(107,613,490)	(98,214,828)	(100,426,910)	(108,330,535)
Depreciation and amortization	(13,632,266)	(16,483,506)	(18,513,160)	(20,805,251)	(22,332,023)	(22,902,361)
Amortization of deferred charges	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>(231,234,766)</b>	<b>(252,984,522)</b>	<b>(270,307,173)</b>	<b>(283,407,974)</b>	<b>(289,726,606)</b>	<b>(305,813,194)</b>
<b>Profit before income tax</b>	<b>239,925,341</b>	<b>260,565,807</b>	<b>316,161,057</b>	<b>329,919,168</b>	<b>344,810,779</b>	<b>355,638,961</b>
Income tax expense	(36,467,563)	(39,442,493)	(48,862,438)	(45,821,652)	(38,145,434)	(44,105,339)
<b>Profit before withholding tax on profits from subsidiaries</b>	<b>203,457,778</b>	<b>221,123,314</b>	<b>267,298,619</b>	<b>284,097,516</b>	<b>306,665,345</b>	<b>311,533,622</b>
Tax on undistributed profit from subsidiaries	(1,641,230)	(1,878,282)	(2,213,522)	(2,752,124)	(3,098,004)	(3,377,969)
<b>Net profit of the year</b>	<b>201,816,548</b>	<b>219,245,032</b>	<b>265,085,097</b>	<b>281,345,392</b>	<b>303,567,341</b>	<b>308,155,653</b>
Non controlling interest	(31,575,195)	(30,217,124)	(44,652,910)	(60,123,506)	(76,270,655)	(72,630,612)
<b>Equity Holders of the Group</b>	<b>170,241,353</b>	<b>189,027,908</b>	<b>220,432,187</b>	<b>221,221,886</b>	<b>227,296,686</b>	<b>235,525,041</b>