BLOM BANK

READY

//18

ANNUAL REPORT

DR. NAAMAN AZHARI
Chairman of BLOM BANK Group

MR. SAAD AZHARI
Chairman and General Manager of
BLOM BANK S.A.L.

ANNUAL REPORT//18

BLOM BANK raised the question: how does Peace of Mind resonate with the Lebanese people on a practical level? The consistent answer to this question is readiness because it equips individuals to be prepared and to take control of their lives, making Peace of Mind the core result of being ready.

BLOM BANK aims to achieve Peace of Mind through the most practical of forms, by giving clients exemplary universal banking services and CSR activities. This is based on its belief that actions speak louder than words and objectives are valued through their desired outcomes.

Today, the Bank leads by example, projecting readiness through the different programs and initiatives allowing BLOM BANK to reach sustainable objectives; serving both the economy and the community at large.

BLOM BANK has been readily committed to nationalistic causes by supporting the Lebanese army in demining all Lebanese territories by the year 2025.

Also, through the BLOM shabeb program, BLOM BANK consistently provides the Lebanese youth with the tools needed to succeed and thrive.

The Bank's commitment to the betterment of Lebanese society has manifested itself through a 15-year sponsorship of the BLOM BANK Beirut Marathon.

As a leading Lebanese bank, BLOM BANK is committed to further deepening its roots in Lebanon and abroad, widening the network of services provided, making a vast geographic footprint, and serving as a provider of true Peace of Mind across different countries and continents around the world.

BLOM BANK's readiness also encompasses secure and reliable digital banking services, with eBLOM as the platform for the digitization of versatile products and services, leading customers into the future.

The Bank's dynamic outlook on readiness paved the way for BLOM BANK's 2019 "Think Lebanon" initiative - a campaign actively engaging communities in Lebanon on social, economic and financial levels. It has enabled the Lebanese to stir the Lebanese economy by all available means.

BLOM BANK is constantly ready by being strongly committed to providing customers with the finest possible banking experience and being a truly active contributor to their Peace of Mind.

In a tough year mired by political paralysis and economic slowdown, BLOM BANK managed to register notable growth in 2018, thanks to its prudent management, talented staff, and sound business model. Net profit was the highest in the banking sector at USD 511.62 million, up by 5.43% from 2017, and implying the highest relative profitability ratios among listed banks, with the rate of return on average common equity reaching 16.52% and the rate of return on average assets reaching 1.48%.

Balance sheet aggregates also performed reasonably well. Assets rose to USD 36.74 billion, up by 12.90% from 2017; deposits increased to USD 27.22 billion, higher by 2.17%; loans stood at USD 7.17 billion, down by 4.95%; and shareholders' equity increased to USD 3.27 billion, higher by 8.76%.

BLOM also succeeded in maintaining a solid financial position. In this respect, the capital adequacy ratio settled at 20.07%; primary liquidity at 83.49%; gross non-performing loans (NPLs) at 4.48%; NPLs coverage ratio by specific provisions and real guarantees at 134.90%; and the cost-to-income ratio at 35.38%, the lowest among listed banks and an indicator of excellent managerial efficiency.

As far as balance sheet growth, BLOM's performance mirrored to a large extent the performance of the Lebanese banking sector. The latter saw assets increase to USD 249.5 billion at end 2018, up by 13.5% on 2017; deposits rise to USD 174.3 billion, higher by 3.3%; while loans decrease to USD 58.9 billion, down by 1%. In terms of profitability and in contrast to BLOM, however, the banking sector's before-tax profits fell to USD 2,234 million, down by 16.4%. The culprit behind this decline in profits – in addition to low net interest margins – were the high taxes and the double taxation imposed on Lebanese banks, given that taxes consumed 45% of profits against a corporate profit tax of 17%. Moreover, these taxes contributed to more than 60% of corporate profit taxes at a time when the banking sector's share in GDP does not exceed 7%. It is expected that these trends – especially for profits – to continue in 2019, given the high tax climate and the limited economic growth.

What marks BLOM's success in terms of both balance sheet and profitability is its conservative strategy of vertical and horizontal expansions. Of particular importance is the expansion of our unit in Egypt, where we currently have 40 branches and intend to have seven additional ones in 2019. The Bank has also been very active in shoring up financing from international financial institutions and its correspondent banks. In this regard, the Bank signed with EBRD a USD 75 million trade facility in December 2018. And this new facility comes in addition to existing facilities with IFC and with a number of correspondent banks, making the total of trade loans in 2018 add to USD 270 million. In addition, the Bank is currently working on enriching this portfolio by acquiring funding for trade and long-term purposes from each of EIB in the amount of EUR 150 million and the OPEC Fund in the amount of USD 50 million.

An overarching component of this strategy also, and which enjoys strong blessing from senior management, is the digital transformation of the Bank so as to follow international trends and to reduce costs. Having a sophisticated and feature-rich digital banking suite, however, is only half the battle. The other half lies in educating customers in using digital. To that end, we have created teams of "digital missionaries" and restructured the branch employee targets to include digital benchmarks.

Net profit was the highest in the banking sector at USD 511.62 million, up by 5.43% from 2017, and implying the highest relative profitability ratios among listed banks, with the rate of return on average common equity reaching 16.52% and the rate of return on average assets reaching 1.48%.

BLOM also succeeded in maintaining a solid financial position. In this respect, the capital adequacy ratio settled at 20.07%; primary liquidity at 83.49%; gross non-performing loans (NPLs) at 4.48%; NPLs coverage ratio by specific provisions and real guarantees at 134.90%; and the cost-to-income ratio at 35.38%, the lowest among listed banks and an indicator of excellent managerial efficiency.

What marks BLOM's success in terms of both balance sheet and profitability is its conservative strategy of vertical and horizontal expansions. An overarching component of this strategy also, and which enjoys strong blessing from senior management, is the digital transformation of the bank so as to follow international trends and to reduce costs.

Throughout BLOM BANK's successful journey, the sustainable growth that was realized could not have been maintained without the essential contribution of our people.

As a result, the Bank's overall penetration rate for ebanking/mobile banking app stands at 31%, representing 123,500 subscribers. In parallel, transactions on digital channels have witnessed an impressive growth in 2018, while corresponding branch transactions have declined: eblom transactions increased by 38.9%, ATM transactions rose by 13.2%, while branch transaction fell by 4%. This had the added advantage of reducing the average waiting time in branches from 4 min 18 sec in February 2018 to 3 mins 16 sec in February 2019. Additionally, and for safety purposes, we have put in place a top-notch cybersecurity infrastructure, such as two-factor authentication and customizable card safety limits.

In non-banking matters, the Bank continued to bolster its impressive record in CSR and sustainability activities. To that end, it supported the establishment of the "Regional Demining School for Humanitarian Goals" in Hammana, Lebanon, as part of its BLOM "Giving Card" program; and it sponsored in March 2019 the "Think of Lebanon" campaign – held under the patronage of the President of the Republic – that aims at encouraging people to shop in Lebanon, to buy Lebanese-made goods and services, and to hire local talent and labor so as to support the economy and enhance its growth patterns. In addition, BLOM BANK was the first bank in Lebanon to undertake the E&S assessment by an independent third party using the ESG methodology. Following that assessment, the Bank has redefined its CSR policy to ensure long-term sustainability, bearing in mind the environmental, social, and governance factors in the conduct of its operations.

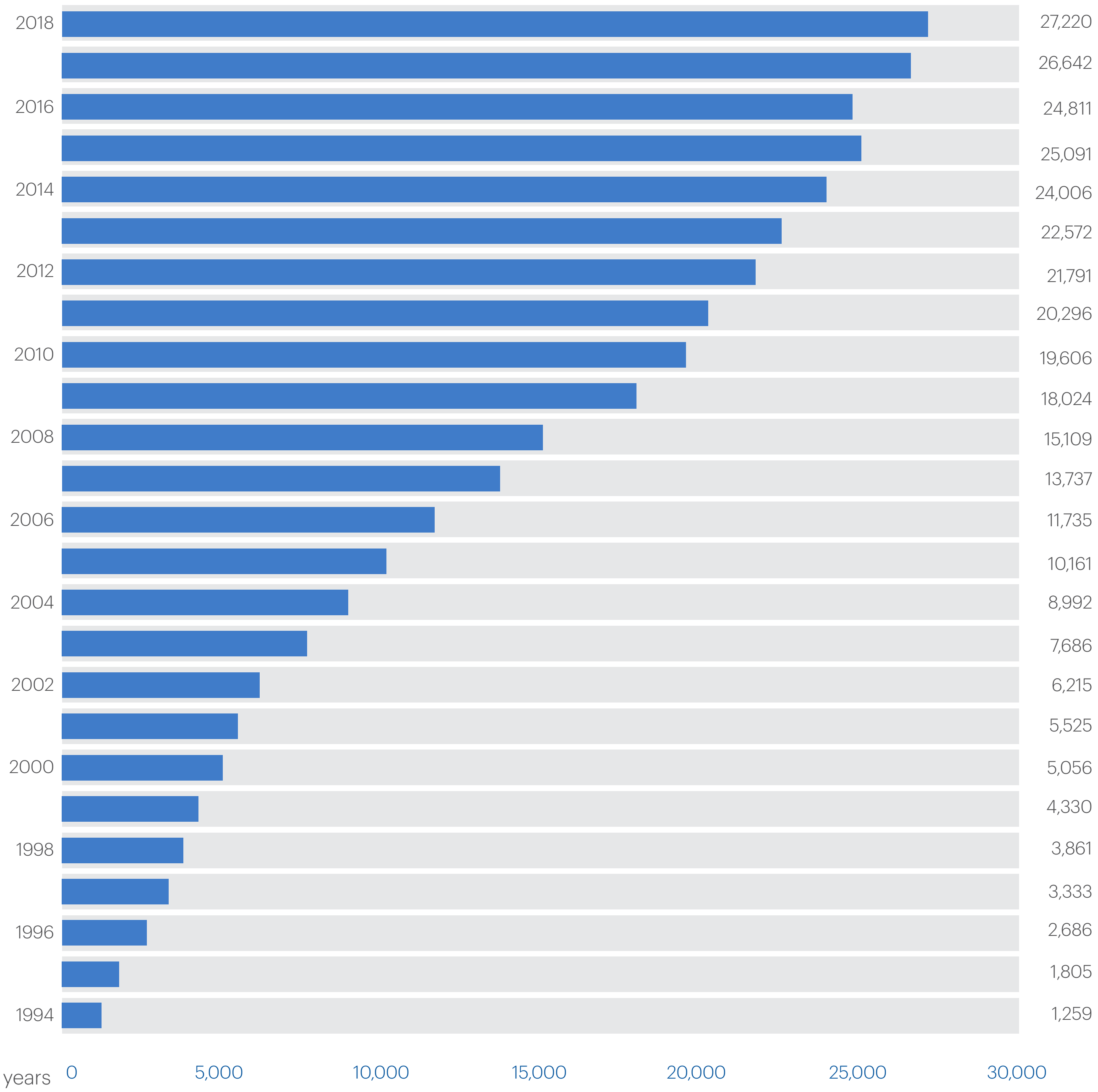
Going forward, we expect 2019 to be another tough year. The Bank expects profits to decline in Lebanon but it hopes to partially compensate for this decline by higher profits from Egypt, which are expected to rise by more than 50%. However, post 2019, we expect the situation in Lebanon to improve. This is predicated on government reforms – especially reforms to public finances – needed to secure the "Cedre" funds and to revitalize the economy. They should also coincide with the beginning of oil and gas explorations. And these developments represent fertile grounds which the Bank should capitalize on to further its activities and growth.

Last but not least, throughout BLOM BANK's successful journey, the sustainable growth that was realized could not have been maintained without the essential contribution of our people, and the great work environment that is being provided. We always make sure that we operate in a healthy, non-discriminatory environment where safety and security measures are a priority, competitive compensation packages are offered to our staff, and development opportunities for all talented people, females and males, are provided so everyone can reach her/his full potential.

In closing, the badge of a good bank is that it is the bank that does well in both sunny and bleak times. We believe that at BLOM BANK we try our best to achieve this through the diligent work of our stakeholders. In addition to our management and staff, these of course include our customers, our partners, our board members, and our shareholders. We are lucky and grateful for what they all do to the Bank.

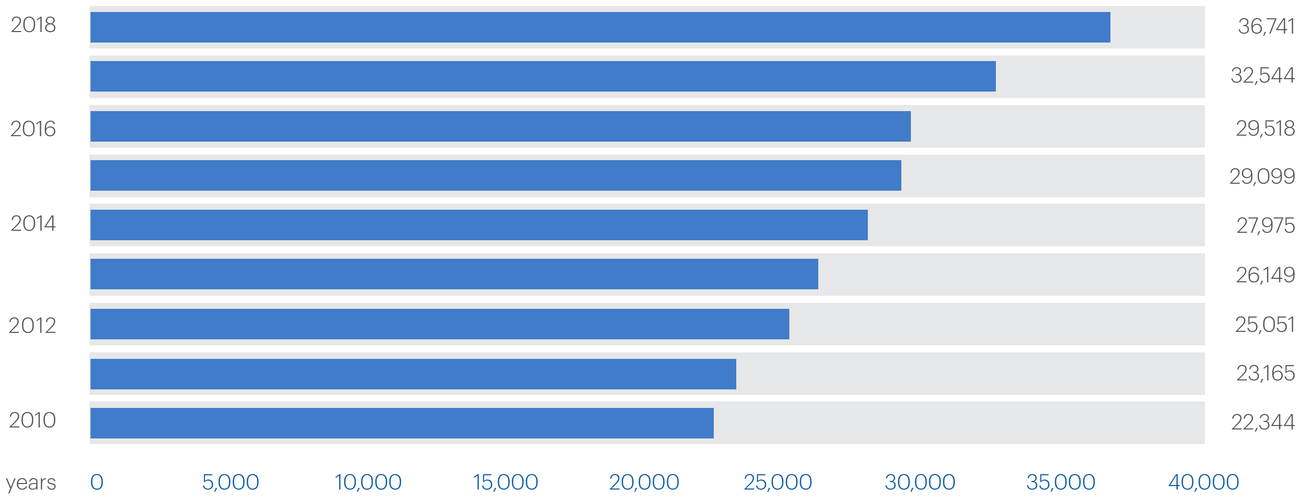
Mr. Saad AZHARI
Chairman and General Manager

CONSOLIDATED CUSTOMERS' DEPOSITS EVOLUTION (IN USD MILLION)

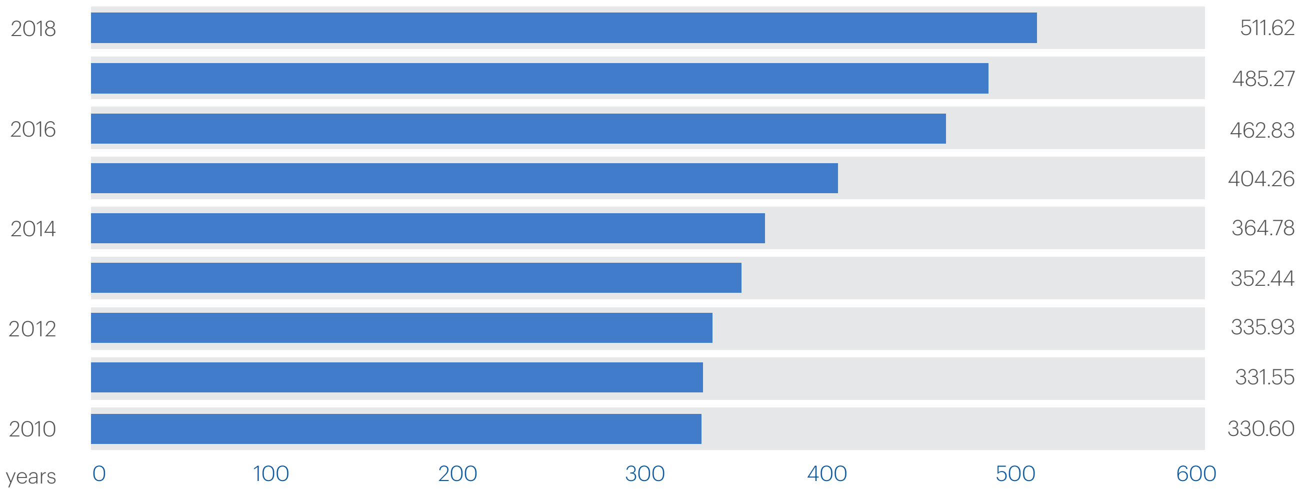


STRONG AND CONTINUOUS GROWTH

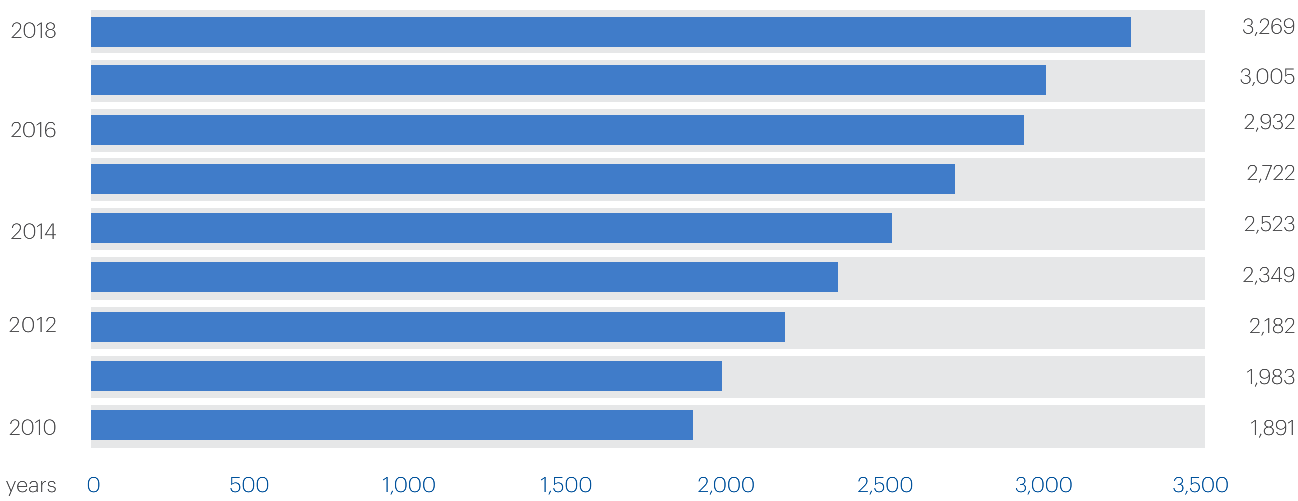
TOTAL ASSETS (IN USD MILLION)



NET PROFITS (IN USD MILLION)



TOTAL CAPITAL FUNDS (IN USD MILLION)



EVOLUTION OF MAIN INDICATORS

USD Million	2018	2017	Change 18/17
Assets	36,741	32,544	12.9%
Net Loans and Advances to Customers	7,165	7,538	-5.0%
Customers' Deposits	27,220	26,642	2.2%
Tier 1 Equity	3,259	2,995	8.8%
Capital Funds	3,269	3,005	8.8%
Net Liquid Assets	21,981	21,551	2.0%
Net Profits	511.62	485.27	5.4%

CONSOLIDATED FINANCIAL RATIOS

	2018	2017
Liquidity Ratios		
Net liquidity in LL	116.39%	122.47%
Net immediate liquidity in foreign currency	74.15%	67.39%
Liquid assets over total assets	56.31%	67.30%
Liquidity in total currency	83.49%	81.39%
Loans to Deposits Ratios		
LL	27.70%	25.45%
F/C	25.95%	29.26%
Total	26.32%	28.30%
Asset Quality Ratios		
Net Non-Performing Loans / Net Loans	1.08%	0.52%
Gross Non-Performing Loans / Gross Loans	4.48%	3.13%
Coverage of Non-Performing Loans (Monetary provisions)	76.91%	83.91%
Coverage of Non-Performing Loans (Monetary provisions & Real Guarantees)	134.90%	128.42%
Capital Adequacy Ratios		
After dividend distribution (Basel III)	20.07%	18.14%
Profitability Ratios		
Return on average equity	16.36%	16.40%
Return on average equity (Common)	16.52%	17.20%
Return on average assets	1.48%	1.56%
Cost-to-income ratio	35.38%	34.36%
Earnings per share	USD 2.37	USD 2.25
Book value per common share	USD 14.97	USD 13.73
Dividend per common share	USD 1.128	USD 1.128
Dividend payout ratio	47.55%	50.14%
Retention Ratio	52.45%	49.86%
Dividend Yield (Prices as at payment date: USD 8.49 as at 17 April 2019 and USD 11.05 as at 12 April 2018)	13.28%	10.21%

ORGANIZATIONAL CHART

External Auditors

Ernst & Young
BDO, Semaan, Gholam & Co.

Shareholders

Board of Directors

Board Committees

Solicitors

Me. Georges BOU ZAMEL

Board Audit Committee | Board Risk Management Committee | Board Consulting, Strategy & Corporate Governance Committee | Board Nomination & Remuneration Committee | Board Compliance Committee | Board Digital Committee

Divisions/Depts./Units	Committees
Administration	Asset Liability Committee
Business Development for Commercial Clients	Bidding Specification & Evaluation Committee
Central Operations & Group Strategic Planning	Branch Monitoring Committee
Communications & Sustainability	Branches Branding Committee
Corporate Credit & Relationship	Credit Committee 1
Corporate Secretary	Credit Committee 2
Credit & Facilities	Executive Committee
External Legal Affairs	Exceptional Credit Committee
Finance	Follow-up Credit Risk Committee
Financial Institutions	Foreign Branches & Subsidiaries Committee
Financial Markets	Human Resources Committee
Group Compliance	Information Systems Security Committee
Group Customer Advocacy - Lebanon	Information Systems Committee
Group Internal Audit	Investment & Treasury Committee
Group Risk Management	Jordan Branches Advisory Committee
Human Resources	Legal Committee
Information Systems	Marketing Committee
Internal Legal Affairs	Operations & Internal Procedures and Policies Committee
Liability Product Management	PE and VC investment Committee
Marketing Overseas	Provisions Committee
Marketing Overseas - Gulf Region	Purchasing & Maintenance Committee
Properties & Facilities	Retail Credit Committee
Retail Banking	Security & Safety Committee
SMEs Relationship	Sustainability Committee
Trade Finance	Succession Planning Committee (Jordan Branches)
Treasury	Succession Planning Committee
	Recovery Plan Committee

Branch Managers

77 in Lebanon **1** in Cyprus **16** in Jordan **1** Representative office in Abu Dhabi **2** in Iraq

BLOM BANK S.A.L.

Head Office: Beirut
Branches: Lebanon - 77 Branches - Cyprus - Jordan (16 Branches)
Abu Dhabi (Representative Office) - Iraq (2 Branches)

99.99%
BLOM BANK FRANCE S.A.
Head Office: Paris
Branches: London - Dubai - Sharjah - Deira
Jabal Ali - Romania (3 Branches)

100%

99.92%
BLOMINVEST BANK S.A.L.
Head Office: Beirut

51%

50%

10%
BLOMINVEST SAUDI ARABIA
Head Office: Riyadh

33.32%
BLOM DEVELOPMENT BANK S.A.L.
Head Office: Beirut
Branches: Lebanon - 3 Branches

66.65%

89.05%
AROPE INSURANCE S.A.L.
Head Office: Beirut
Branches: Lebanon - 9 Branches

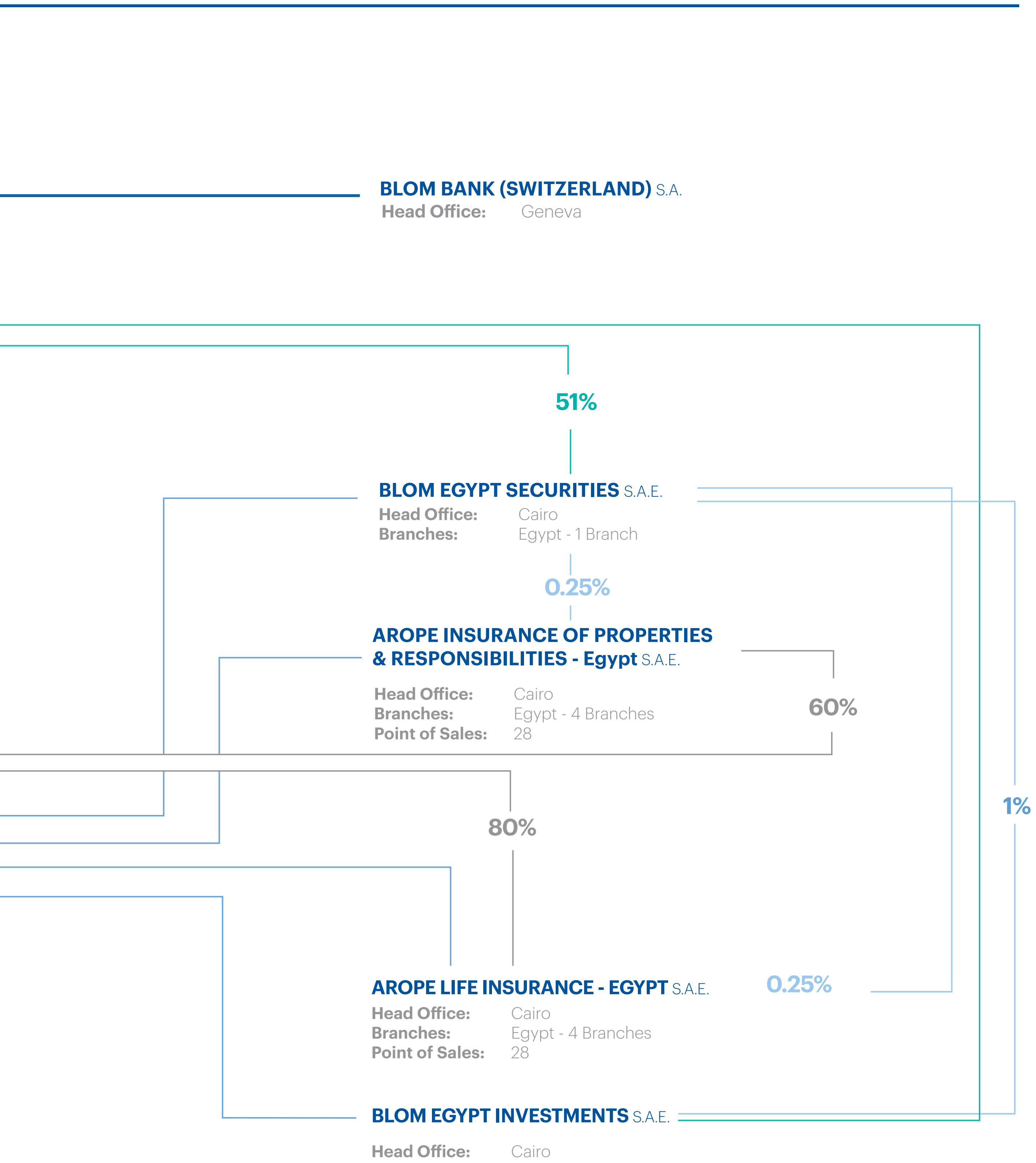
99.42%
BLOM BANK EGYPT S.A.E.
Head Office: Cairo
Branches: Egypt - 40 Branches

48.99%
39.75%
19.75%
48%

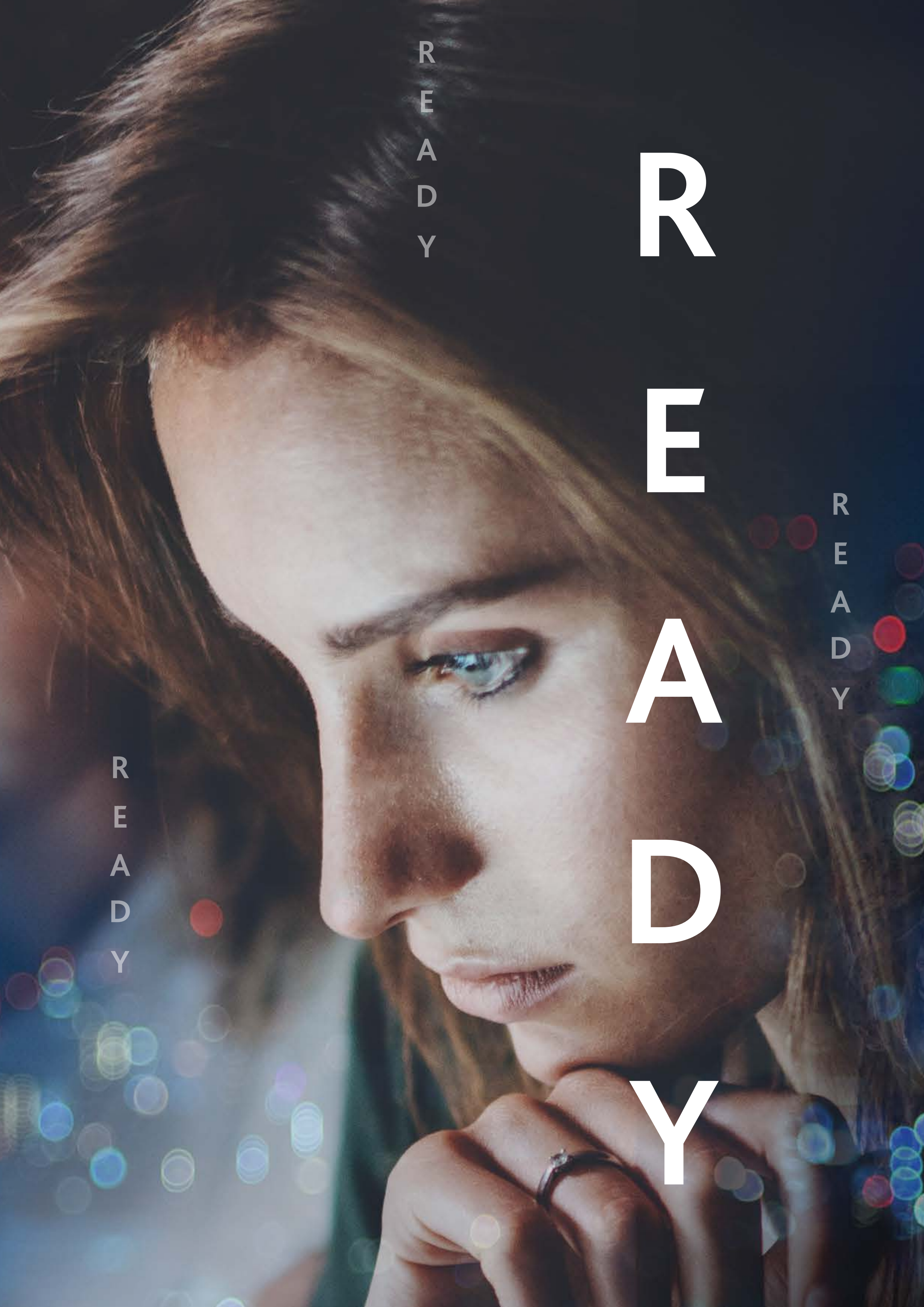
99.75%
BLOM BANK QATAR L.L.C.
Head Office: Doha

100%
BLOM SECURITIES - JORDAN
Head Office: Amman

99.99%
BLOM ASSET MANAGEMENT COMPANY S.A.L.
Head Office: Beirut



As at March 31, 2019


READY
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READY


TO LEAD THE FUTURE OF DIGITAL BANKING.
READY
READY

1. CODE OF CORPORATE GOVERNANCE

The Code of Corporate Governance was approved in 2007 by the Board of Directors at BLOM BANK and most recently updated in December 2018. It sets out the structure that identifies the rights and responsibilities of each of the Board members, General Management, employees and external stakeholders. The Code complies with all local laws and regulations to which the Bank is subject, as well as the Basel Committee's principles on Corporate Governance and outlines the expected conduct of all parties in order to achieve the objectives set for the Bank. The Code also comprises the Board Committees' Charters and the Disclosure Policy as appendices to the Code.

The Bank recognizes the paramount importance of Corporate Governance for its proper functioning and for the creation of an optimal operational environment. The Board of Directors is the body ultimately responsible for ensuring the best practices of Corporate Governance at BLOM BANK and exercises some of its duties and authorities through six specialized Board Committees (the Audit Committee, the Risk Management Committee, the Consulting Strategy and Corporate Governance Committee, the Nomination and Remuneration Committee, the Compliance Committee and the Digital Committee).

Awareness sessions on Corporate Governance are organized for new employees in order to introduce the Code and related principles, while more advanced presentations are provided to all employees at least every two years.

As part of its commitment to transparency, accountability, integrity, and protection of shareholders' rights, the Bank discloses on its Website, the Corporate Governance Code, the Board Committees' Charters, its Fraud Policy and Code of Conduct, its Remuneration Policy and other information about the Board of Directors and Senior Management.

The Bank's Board of Directors view the ongoing development of Corporate Governance as a matter of great importance and necessity in enhancing its competitive position by continuing to further raise its standards vis-à-vis internal organization and services to clients, especially that BLOM BANK was the first Bank in Lebanon to become Signatory of the Investors for Governance and Integrity (IGI) Declaration and publicly committed to corporate governance and to protect shareholders' rights and mitigate risks by making sound investment decisions.

The Bank is keen on developing its engagement and commitment to social responsibility initiatives and spread this culture within the Bank. A detailed plan has been elaborated for the coming five years, along with a complete budget for 2019 to be spent on environmental, social, economic and governance driven initiatives. In addition, the Board of Directors approved a new policy: the "Sustainability Policy". The Sustainability Policy sets the guiding principles for how BLOM BANK ensures long-term sustainability of its operations and by doing so increases the value it creates for customers, shareholders, employees, society and the environment. BLOM BANK's long term success is based on trust and confidence. Sustainable business is a prerequisite to uphold this trust and to attain the "Peace of Mind" slogan the Bank promotes. The policy aims to support BLOM BANK and its employees in performing their work and decision-making.

2. BLOM BANK S.A.L. MAJOR COMMON SHAREHOLDERS

NAME	Address	Common Shares in Capital *
BANK OF NEWYORK**	USA	34.37%
Banorabe S.A SPF***	Luxembourg	18.62%
Azhari Family	Lebanon	7.53%
Chaker Family	Lebanon	4.82%
Saade Family	Lebanon	2.55%
Jaroudi Family	Lebanon	2.17%
Actionnaires Unis	Lebanon	1.83%
Khoury Family	Lebanon	1.80%
Rest of Shareholders		26.31%
Total		**100.00%**

** As at 31st March, 2019.*
*** Starting 1998, and after the issuance of Global Depositary Receipts (GDR) by BLOM BANK Shareholders, the Bank of New York as Depositary, became shareholder on the Bank's register.*
**** The major shareholders of Banorabe S.A. SPF (formerly Banorabe Holding S.A.) are the same as in BLOM BANK (except Bank of New York).*

3. CHAIRMAN OF BLOM BANK GROUP

Dr. Naaman W. AZHARI

4. SECRETARY GENERAL OF BLOM BANK GROUP

Mr. Samer N. AZHARI

5. BOARD OF DIRECTORS

5.1 LIST OF BOARD MEMBERS

NAME	Position	Background / Competencies	Number of directorship years with the Bank
Mr. Saad N. AZHARI	Chairman & General Manager	Master in Computer Engineering & MBA	Director since 1996 Chairman and General Manager since 2007
Mr. Nicolas N. SAADE	Director	MBA in Banking & Financial Management & B.A. in Economics	Director since 1990
Dr. Fadi T. OSSEIRAN	Director	Ph.D. in Economics	Director since 2008
Mr. Marwan T. JAROUDI	Director	MA in Ecomomics	Director since 2008
Me. Antoine J. MERHEB	Director	Diploma in Law	Director since April 2014
Mr. Saeb A. K. EL ZEIN	Director	BBA & MBA	Director since April 2014
Dr. Jassim A. AL-MANNAI*	Director	Doctorate in Economic Development	Director since April 2015
Mr. Amr N. AZHARI	Director & General Manager	Master in Business Administration	Director since April 2015
Mr. Ahmad G. SHAKER	Director	Master in Finance	Director since April 2017
Mr. Emile E. KHARRAT	Director	MBA in Finance	Director since April 2017
Mr. Mohamad Yassine R. RABAH	Director	Master in Science & Civil Engineering Degree	Director since April 2017
Dr. Rabih W. RADWAN EL DANA	Corporate Secretary Secretary of the Board		

Sheikh Salim B. EL-KHOURY	Honorary Board Member
H.E. Sheikh Ghassan I. SHAKER	Honorary Board Member
H.E. Me Youssef S. TAKLA	Advisor to the Board of Directors of BLOM BANK S.A.L.

(*) Resigned with effect from 16 April 2019

Dr. Naaman W. AZHARI
Chairman of BLOM BANK Group

- Chairman of Banorabe S.A., SPF, the largest shareholder of BLOM BANK S.A.L.

Dr. Naaman AZHARI, born in 1928, started his banking career in 1951 in Paris where he joined a French bank (which was later acquired by Société Générale). He was later appointed General Manager of the Syrian affiliate of this French bank.
At the end of the 1950s, he established one of the largest banks in Syria, "Banque de l'Orient Arabe" and was appointed Chairman and General Manager of this bank.
From 1961 to 1962, he occupied the position of Minister of Finance, Economy and Planning in Syria.

Since 1962, after the nationalization of banks in Syria he resided permanently in Beirut where he was appointed General Manager of BLOM BANK S.A.L.
From 1971 until 2007, he occupied the position of Chairman and General Manager of BLOM BANK S.A.L.

In 2007, he was appointed Chairman of BLOM BANK Group.
Dr. Naaman AZHARI holds from Paris a State Degree Ph.D. in Economics, a Bachelor of Law and a Diploma in Political Sciences from the "Institut des Sciences Politiques" (Sc.Po.).

Mr. Samer N. AZHARI
Secretary General of BLOM BANK Group

- Chairman and General Manager of BLOM BANK FRANCE S.A.
- Board Member of Banorabe S.A., SPF
- Board Member of AROPE INSURANCE S.A.L.

Mr. Samer AZHARI, born in 1958, joined Banque Banorabe, affiliated bank of BLOM BANK S.A.L., in Paris in 1985 and became its General Manager in 1994.
In 1997, he was appointed as General Manager of BLOM BANK S.A.L. and occupied this position until 2001.

Since 2001, Mr. Samer AZHARI has been Chairman & General Manager of BLOM BANK FRANCE (formerly BANQUE BANORABE).

He was Chairman and General Manager of AROPE INSURANCE, an affiliated insurance company of BLOM BANK S.A.L. from 1998 until 2008.

From 1999 until 2001, he occupied the position of Vice–President of the Association of Banks in Lebanon.

Mr. Samer AZHARI has been BLOM BANK Group's Secretary General since 2007.

Mr. Samer AZHARI holds a Master of Science degree in Civil Engineering from the University of Illinois, USA and an MBA from INSEAD, France.

Sheikh Salim B. EL-KHOURY
Honorary Board Member of BLOM BANK S.A.L.

Sheikh Salim EL KHOURY, born in 1931, has been a Member of the Board of Directors of BLOM BANK S.A.L. from 1987 to 2011. Since then, he is honorary member of the Board.

He holds a degree in French law from the University of Lyon in France, a degree in Lebanese Law from Saint – Joseph University's "Ecole de Droit de Beyrouth" and has completed an Advanced Management Program at Harvard Business School.

H.E. Sheikh Ghassan I. SHAKER

Honorary Board Member of BLOM BANK S.A.L.

- Board Member of Banorabe S.A., SPF

Businessman, banker, industrialist and diplomat, H.E. Ghassan SHAKER, born in 1937, is among the most highly decorated personalities from the Arab World, including being a Grand Officier de la Legion D'Honneur-France.

He was educated at Victoria College Alexandria Egypt (1944-1956) and at St. John's College Cambridge University England (1956-1959).

H.E. Sheikh Ghassan SHAKER has been a Member of BLOM BANK S.A.L. Board since 1964, is also a Board Member of BLOM BANK FRANCE S.A. and a Board Member in Banorabe S.A, SPF.

Personal Advisor to His Majesty The Sultan of Oman, Ambassador of the Omani Mission at the United Nations in Geneva, Former Dean of Unesco Goodwill Ambassadors in Paris and Plenipotentiary Minister at the Embassy of the Sultanate of Oman at The Court of St. James, United Kingdom, Economic Counselor at the Oman Embassy in Rome. Sheikh SHAKER is a founder and patron of academic and charity organizations in the Middle East, Turkey, Jordan, UK and USA.

Member of the Board of trustees and Patron at Georgetown University Washington DC, a Patron of Kings Academy in Jordan, University of Virginia USA, the Lebanese American University Beirut and the Royal Textile Academy of Bhutan, Fellow of the Chancellor's Court of Benefactors Oxford University and an Honorary Fellow of St. Anthony's College Oxford University.

5.2 INFORMATION ABOUT BOARD OF DIRECTORS

Mr. Saad N. AZHARI

Chairman of the Board and General Manager of BLOM BANK S.A.L.

- Chairman and General Manager of BLOMINVEST BANK S.A.L.
- Chairman of BLOM BANK SWITZERLAND S.A.
- Chairman of BLOM BANK EGYPT S.A.E.
- Chairman of BLOM BANK QATAR L.L.C.
- Board Member of BLOMINVEST SAUDI ARABIA
- Board Member of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L. acting also for BLOMINVEST BANK S.A.L.
- Board Member of Banorabe S.A., SPF
- Member of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.
- Member of the Board Compliance Committee of BLOMINVEST BANK S.A.L.
- Member of the Board Compliance Committee of BLOM BANK S.A.L.

Mr. Saad AZHARI, born in 1961, is the Chairman of BLOM BANK S.A.L. since 2008, and prior to that, between 2001 and 2007, he was the Vice-Chairman and General Manager of BLOM BANK S.A.L. Mr. Saad AZHARI also assumes several functions on the Board of Directors of BLOM BANK Group's entities. He is, in addition, the Vice President of the Association of Banks in Lebanon since 2001.

He joined BLOM BANK SWITZERLAND S.A. in 1991, was appointed its General Manager in 1997 and its Chairman in 2001.

He worked from 1986 to 1991 at PBZ (Privatbank), an affiliate of UBS Group, in Zurich-Switzerland where he was promoted to run, from Zurich, the Bank's operations in the Middle East and in its Hong Kong office.

Mr. Saad AZHARI obtained a Master Degree in Computer Engineering, and afterwards a Master Degree in Business Administration (MBA), from the University of Michigan-Ann Arbor in the United States of America.

Mr. Nicolas N. SAADE

Independent Director of BLOM BANK S.A.L.

- Board Member of BLOM DEVELOPMENT BANK S.A.L.
- Board Member of BLOM BANK QATAR L.L.C.
- Board Member of BLOMINVEST BANK S.A.L.
- Head of the Board Audit Committee at BLOM BANK S.A.L.
- Head of the Board Risk Management Committee of BLOM BANK QATAR L.L.C.
- Head of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L. acting also for BLOMINVEST BANK S.A.L.
- Member of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L.
- Head of the Board Audit Committee of BLOMINVEST BANK S.A.L.
- Head of the Board Audit Committee of BLOM BANK QATAR L.L.C.
- Head of the Board Audit Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Nomination and Remuneration Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Nomination and Remuneration Committee of BLOMINVEST BANK S.A.L.

Mr. Nicolas SAADE, born in 1950, has been a Board Director of BLOM BANK S.A.L. since 1990.

From April 1985 to July 1987, he was Regional Manager of BLOM BANK S.A.L. in Dubai, UAE.

Between 1980 and 1985, he was Deputy General Manager of Union de Banques en Côte d'Ivoire (BANAFRIQUE).

In 1975, he joined the Toronto Dominion Bank in which he stayed until July 1980, occupying various managerial positions.

Mr. Nicolas SAADE is the owner and Managing Director of the Nicolas SAADE Est. in Dubai, which is a banking, investment and financial consulting firm. He is also the Managing Director of Elite Consultants International, Inc. in Delaware, USA, an SEC registered investment advisory firm, and owner of Pioneer Auditing in Dubai. Previously, he was Fund Manager at Royal Life International and Friends Provident International Elite Fund in the Isle of Man.

Mr. Nicolas SAADE is holder of an Honors BA in Economics from McMaster University in Canada and has an MBA in Banking and Financial Management from Wharton School, University of Pennsylvania, USA.

Dr. Fadi T. OSSEIRAN

Executive Director of BLOM BANK S.A.L.

- Chairman and General Manager of BLOM ASSET MANAGEMENT Co. S.A.L.
- Chairman of BLOM EGYPT INVESTMENTS S.A.E.
- General Manager of BLOMINVEST BANK S.A.L.
- Board Member of BLOMINVEST SAUDI ARABIA
- Board Member of Societe de Services d'Assurance et de Marketing S.A.L.
- Board Member of BLOM EGYPT SECURITIES S.A.E.
- Head of the Board Audit Committee of BLOMINVEST SAUDI ARABIA
- Member of the Board Risk Management Committee of BLOM DEVELOPMENT BANK S.A.L. as representative of BLOMINVEST BANK S.A.L.
- Member of the Board Compliance Committee of BLOM BANK S.A.L.
- Member of the Board Risk Committee of BLOM EGYPT SECURITIES S.A.E.
- Member of the Board Digital Committee of BLOM BANK S.A.L. starting June 2018

Dr. Fadi OSSEIRAN, born in 1956, started his banking career at BLOM BANK S.A.L. as Assistant Dealer from 1981 to 1982. From 1990 until 1993, he was Manager of Corporate Planning and Human Resources Development at Méditerranée Group Services.
From 1985 to 1987, he moved to teach in the Economics Department at the American University of Beirut and became Assistant Professor at the Institute of Money and Banking of AUB from 1988 to 1993.

Since 1994, he has been General Manager of BLOMINVEST BANK S.A.L. and Advisor to the Chairman – General Manager of BLOM BANK S.A.L. Dr. OSSEIRAN became a Member of the Board of Directors of BLOM BANK S.A.L. in 2008. He has been a Director of BLOMINVEST BANK SAUDI ARABIA since 2008.

Dr. OSSEIRAN sits on several boards of Funds that invest in startups in the knowledge economy.

Dr. OSSEIRAN has held the position of President of the Association of Stock Brokers in Beirut from 2004 to 2016 and has been a Member of the Lebanese Economic Association since 2004. He was also Member of the Research Committee (1992-2006) and Member of the Training Committee (1994-1996) of the Association of Banks in Lebanon.

He was Board Member of the Lebanese Management Association from 1992 to 1996 and he was reelected in 2014. He has many publications in the Banking and Economics Fields. Dr. OSSEIRAN is holder of a Ph.D. in Economics from New York University (NYU) in the United States.

Mr. Marwan T. JAROUDI

Independent Director of BLOM BANK S.A.L.

- Board Member of BLOM BANK FRANCE S.A.
- Board Member of BLOMINVEST BANK S.A.L.
- Board Member of BLOMINVEST SAUDI ARABIA
- Board Member and Vice Chairman of BLOM BANK QATAR L.L.C.
- Board Member of AROPE INSURANCE S.A.L.
- Board Member of Banorabe S.A., SPF
- Board Member of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L. acting also for BLOMINVEST BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOM BANK S.A.L.
- Member of the Board Audit Committee of BLOM BANK S.A.L.
- Member of the Board Audit Committee of BLOM BANK FRANCE S.A.
- Member of the Board Audit Committee of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Corporate Governance Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Audit Committee of BLOMINVEST BANK S.A.L.
- Head of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOM DEVELOPMENT BANK S.A.L.
- Head of the Board Nomination and Remuneration Committee of BLOMINVEST BANK S.A.L.

Mr. Marwan JAROUDI, born in 1959, currently sits on the Board of Directors of the following Companies: Industry Intelligence Inc., Los Angeles - USA, United Shareholders.

He is Co-Founder, Director of Industry Intelligence Inc., Los Angeles – California, since 2007.

Since 1999, he occupies the position of Co-Founder, Director of Industry Intelligence Inc., Los Angeles.

From 1996 until 1999, he was Co-Founder, Managing Director of Pulptrade - Choueifat, Lebanon.

From 1985 until 1995, Mr. JAROUDI occupied a number of managerial positions at Saudi Hollandi Bank in Jeddah.

From 1989 until 1991, he was Co-Founder and Finance Director at Gulf Medical Co ltd.

Mr. JAROUDI is holder of a Master of Arts degree in Economics from Syracuse University in New York and has a BA in Economics from the American University of Beirut.

Me. Antoine J. MERHEB

Independent Director of BLOM BANK S.A.L.

- Board Member of BLOMINVEST BANK S.A.L.
- Head of the Board Compliance Committee of BLOM BANK S.A.L.
- Head of the Board Compliance Committee of BLOMINVEST BANK S.A.L.

Me. Antoine MERHEB, born in 1939, has been elected in 2014 as member of the Board of Directors of BLOM BANK S.A.L.

He started his professional career in 1961 as employee in Credit Foncier d'Algerie et de Tunisie in Beirut.

He holds two diplomas in Lebanese and French Law from Saint Joseph University of Beirut.
He was admitted to the Beirut Bar Association in 1964 and practiced his training at the law firm of his Excellency Mr. Michel Edde of which he became thereafter one of its partners.

In 1977, he joined the law firm of late khalyl Abouhamad (Former Minister of Foreign Affairs) with whom he created a partnership known currently as "Abouhamad, Merheb, Chamoun, Chedid" Law Firm.

He is a former member of the Paris Bar Association.

He is member of the Legal Committee of the Lebanese Banks Association and was member of the Committee of Modernization and Coordination of Banking Laws at the Central Bank of Lebanon, and member of many teams in charge of drafting several bills regarding the modernization of the corporate laws as well as banking and financial laws.

Mr. Saeb A.K. EL ZEIN
Independent Director of BLOM BANK S.A.L.

- Board Member of BLOMINVEST BANK S.A.L.
- Lead Director of the Board's Independent Directors of BLOM BANK S.A.L. from September 2017 till September 2018
- Member of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L. acting also for BLOMINVEST BANK S.A.L.
- Member of the Board Nomination and Remuneration Committee of BLOMINVEST BANK S.A.L.
- Member of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.

Mr. EL ZEIN, born in 1958, started his career in the global financial industry in 1980.

Currently EL ZEIN is a Managing Partner of Spinnaker Capital (Middle East). Spinnaker Capital is a global Emerging Markets investment manager. He joined Spinnaker Capital Group in 2008.

From 1994 until 2008, Mr. EL ZEIN worked at Credit Suisse, London, as a Managing Director in the Investment Banking and Capital Markets divisions. During his tenure at Credit Suisse, he was the lead banker for numerous landmark transactions in international bonds, IPOs, merger & acquisition, and privatizations transactions for major Corporates, Financial Institutions and Governments.

From 1988 until 1994, he was a Director with Deutsche Bank AG, London, managing the Southern Europe and Middle East Fixed Income Capital markets.

From 1982 until 1988, he worked at Arab International Finance, London, as a global multi-asset portfolio manager.

From 1980 until 1981, Mr. EL ZEIN was an Analyst at the Central Bank of Lebanon, Beirut, at the Office of the Governor.

He has served as a member of the Board of Directors of a number of financial and industrial corporates in the U.A.E. While in Lebanon, he served on the Board of the Beirut Stock Exchange and Credit Suisse- Lebanon.

Mr. EL ZEIN received his B.B.A and M.B.A from the American University of Beirut in 1979 and 1981.

Dr. Jassim A. AL-MANNAI *
Independent Director of BLOM BANK S.A.L.

- Member of the Board Audit Committee of BLOM BANK S.A.L. until 16 April 2019
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L. acting also for BLOMINVEST BANK S.A.L. until 16 April 2019

Dr. AL MANNAI, born in 1948, started his career as Head of Industrial Development Unit at the Ministry of Development and Industry in Bahrain, and then as Director of Planning and Economic Affairs at the Ministry of Finance and National Economy in Bahrain.

From 1980 untill 1994, Dr. AL MANNAI has been Board Member of several notable companies in the Gulf region, and has been appointed Chairman of the Inter Arab Rating Company E.C. from 1999 till 2001.

Dr. AL MANNAI served as Senior Vice President (Planning and Research) at Gulf Investment Corporation, KUWAIT from 1984 till 1987 and as Executive Vice President and Head of Projects Group in the same corporation from 1987 till 1994.

From 1994 till 2014, he was Director General Chairman of the Board of the Arab Monetary Fund and Chief Executive Chairman of the Board of the Arab Trade Financing Program both in Abu Dhabi.

Dr. AL MANNAI is holder of a Doctorate in Economic Development from Sorbonne University, France.

(*) Resigned with effect from 16 April 2019

Mr. Amr N. AZHARI
Executive Director and General Manager of BLOM BANK S.A.L.

- Chairman and General Manager of BLOM DEVELOPMENT BANK S.A.L.
- Board Member of BLOMINVEST BANK S.A.L.
- BLOM BANK Representative on Board of BLOM BANK FRANCE S.A.
- Member of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.
- Member of the Board Risk Management Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Audit Committee of BLOM BANK FRANCE S.A.
- Member of the Board Compliance Committee of BLOM BANK S.A.L.
- Member of the Board Compliance Committee of BLOMINVEST BANK S.A.L.
- Member of the Board Compliance Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L. acting also for BLOMINVEST BANK S.A.L. starting 16 April 2019
- Member of the Board Digital Committee of BLOM BANK S.A.L. starting 16 April 2019
- Chairman and General Manager of Société de Services d'Assurance et de Marketing S.A.L.
- Chairman and General Manager of Société Fonciere du Liban et d'Outre-Mer S.A.L.
- Permanent Representative of Actionnaires Unis Holding Libanais on the Board of Directors of Banorabe S.A., SPF

Mr. Amr AZHARI, born in 1970, started his banking experience in 1991 at Banque Banorabe – Paris. From 1991 to 1992, he worked at Gestion Pictet and Pictet & Cie Montreal – Canada, and from 1995 to 1997 he occupied the position of Assistant Manager – Banque Banorient, Geneva – Switzerland.

From 1997 until 2004, Mr. Amr AZHARI held several positions in Banque Banorabe (BLOM BANK FRANCE) Paris and Dubai branches.

From 2004 until 2010, Mr. AZHARI was the Vice-Chairman of BANK OF SYRIA AND OVERSEAS S.A. In 2004, he was also nominated as Assistant General Manager of BLOM BANK S.A.L.

From 2006 until 2015, in addition to the above, Mr. AZHARI was Chairman of AROPE SYRIA.

In 2008, he was nominated as General Manager of BLOM BANK S.A.L. and elected as Chairman & General Manager of BLOM DEVELOPMENT BANK S.A.L.

In 2010, he was elected as CEO of BANK OF SYRIA AND OVERSEAS S.A. He occupied this position until 2014.

Mr. Amr AZHARI holds the following degrees from McGill University – Montreal, Canada: Master of Business Administration, Bachelor of Civil Law and Bachelor of Arts, major in Economics.

Mr. Ahmad G. SHAKER
Independent Director of BLOM BANK S.A.L.

- Board Member of BLOM BANK SWITZERLAND S.A.
- Head of the Board Digital committee of BLOM BANK S.A.L. starting June 2018
- Member of the Board Audit Committee of BLOM BANK S.A.L.
- Member of the Board Consulting, Strategy and Corporate Governance Committee of BLOM BANK S.A.L. acting also for BLOMINVEST BANK S.A.L. in his capacity as Lead Director
- Lead Director of the Board's Independent Directors of BLOM BANK S.A.L. starting September 2018

Mr. Ahmad SHAKER, born in 1964, is a multicultural, long-time entrepreneur with extensive exposure to Europe, Latin America, Middle-East and Russia and brings many years' experience in the banking, financial, legal, international trade, real-estate, agro-industrial, and technology fields.

Mr. SHAKER holds a Master in Finance from Geneva University, and actively contributes to several government, educational, and financial institutions' IT and media strategies in Lebanon and the Gulf. He also is an active member of various businessmen and social associations.

Mr. SHAKER has a direct active involvement in finance, food industries, IT, and real-estate developments.

Mr. Emile E. KHARRAT
Independent Director of BLOM BANK S.A.L.

- Member of the Board Risk Management Committee of BLOM BANK S.A.L.

Mr. Emile KHARRAT, born in 1971, currently runs Beauvau Capital a real estate asset management company based in Paris and regulated by the AMF (French Financial Regulator).

Mr. Emile KHARRAT started his career in global financial markets in 1997 at BNP Paribas in Paris. He was responsible for covering the Private Banks in Fra-Be-Lux as well as retail banking networks.

In 2004, Mr. KHARRAT joined Goldman Sachs in London where he covered Fra-Be-Lux institutional investors addressing their ALM needs. He closed Funding trades as well as hedging strategies. At Goldman Sachs he set up the coverage of retail banking networks in Fra-be-Lux.

In 2009, he founded a Parisian Parking Company as a privately owned real estate company that buys and manages parking spaces in Paris.

Mr. KHARRAT holds an MBA in Finance from HEC, Paris.

Mr. Mohamad Yassine R. RABAH
Independent Director of BLOM BANK S.A.L.

- Board Member of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Risk Management Committee of BLOM BANK S.A.L.
- Member of the Board Nomination & Remuneration Committee of BLOM BANK S.A.L.
- Head of the Board Compliance Committee of BLOM DEVELOPMENT BANK S.A.L.
- Member of the Board Digital Committee of BLOM BANK S.A.L. starting June 2018

Mr. Mohamad Yassine RABAH, born in 1976, serves as the General Manager of ZRE S.A.L where he constantly generates new business opportunities to strengthen the company's leading position in property development. Mr. Rabah is also a board member of LPG Distribution Company in Lebanon.

He worked at Strategic & Management Consultancy from 2000 to 2005 and he is Board Member and Head of Executive Committee at Natgaz.

Mr. RABAH holds a Master's degree in Science from the University of Texas at Austin and a Civil Engineering degree with distinction from the American University of Beirut. He has previously worked in strategic and management consulting firms where he developed strategic solutions in the Industries of Energy, Aerospace, Transportation and Construction.

In addition to his various achievements, Mr. RABAH has received an Engineering Award for Creative Achievement.

5.3 BOARD MEETINGS HELD IN 2018

The following BLOM BANK S.A.L. board meetings were held during 2018

19/1/2018 **16/3/2018** **20/6/2018** **14/9/2018** **14/12/2018**

6. INFORMATION ON KEY MEMBERS OF BLOM BANK S.A.L. MANAGEMENT

Dr. Amine A. AWAD
General Manager of BLOM BANK S.A.L.

- Member of the Board Risk Management Committee of BLOM DEVELOPMENT BANK S.A.L. as representative of BLOM BANK S.A.L.
- Member of the Board Compliance Committee of BLOM DEVELOPMENT BANK S.A.L. as representative of BLOM BANK S.A.L.

Dr. Amine AWAD, born in 1951, started his banking career at BLOM BANK S.A.L. from 1982 to 1984, after being the Dean of the "University Institute of Technology - Business Administration" at Saint Joseph University from 1979 to 1982.

From 1985 until 1992, he served as Senior Manager of the International & Financial Institutions Department, as well as Private Banking Department at Banque Saradar S.A.L.

In 1993, he joined BLOM BANK FRANCE S.A. as General Manager, until February 2000, when he was appointed by the Lebanese Government as Executive Board Member of the Banking Control Commission and Member of the Higher Banking Council at the Central Bank of Lebanon and Representative of the Association of Banks in Lebanon.

Dr. AWAD was, among other tasks, leading the working group on "Basel Accord and International Accounting Standards implementation in the banking sector"; he remained in this position for three consecutive terms until March 2015.

In June 2015, he joined BLOM BANK S.A.L. as Chairman's Advisor and was appointed in 2017 as the Bank's General Manager.

Dr. Amine AWAD holds a Ph.D. in Economics from Saint Joseph University and an Executive MBA from Manchester Business School.

Mr. Elias E. ARACTINGI *

General Manager of BLOM BANK S.A.L.

- Board Member of BLOMINVEST BANK S.A.L.
- Board Member of Société Foncière du Liban et d'Outre-Mer S.A.L.
- Board Member of Société de Services d'Assurance et de Marketing S.A.L. until March 2019
- Member of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.
- Member of the Board Digital Committee of BLOM BANK S.A.L. from June 2018 till April 2019

Mr. Elias ARACTINGI, born in 1959, started his banking career in 1983 at Bank Audi USA in New York where he was promoted several times until he reached the title of Vice President and Head of Operations. He joined BSI (Banca della Svizzera Italiana)'s New York branch in 1988 as Vice President in the International Private Banking Group.

In 1990, Mr. ARACTINGI joined Booz Allen and Hamilton based in Singapore as an Associate and was promoted to Senior Associate in 1993, then to manager of the Bangkok office in 1994 and finally to Principal in 1995.

At the end of 1995, he joined BLOM BANK S.A.L. in Beirut as Advisor to the Chairman, focusing on branch and head office reengineering. In 1997, he initiated BLOM BANK's Retail Banking activities.

In addition to his duties at BLOM BANK S.A.L., Mr. ARACTINGI held twice the position of Managing Director/CEO of BLOM BANK EGYPT, in 2006 and 2009.

He was promoted to Deputy General Manager of BLOM BANK S.A.L. in 2009 and to General Manager in 2013.

Mr. Elias ARACTINGI holds a Bachelor Degree in Business Administration with distinction from the American University of Beirut and an MBA in Finance from Columbia University's Graduate School of Business.

(*) Resigned with effect from 30 June 2019

Mr. Talal A. BABA

Deputy General Manager of BLOM BANK S.A.L.
Chief Financial Officer at BLOM BANK S.A.L.

- Board Member of Société Foncière du Liban et d'Outre-Mer S.A.L.
- Board Member of AROPE PROPERTIES & LIABILITIES INSURANCE - EGYPT S.A.E.
- Board Member of AROPE LIFE INSURANCE - EGYPT S.A.E.
- Board Member of AROPE INSURANCE S.A.L. starting 3 April 2019

Mr. Talal BABA, born in 1967, is the Chief Financial Officer. He was appointed as Assistant General Manager on July 2008 and promoted to Deputy General Manager in 2017.

Mr. BABA is committed to maintaining the high level of integrity and transparency that BLOM BANK S.A.L. is known for.

He joined BLOM BANK S.A.L. in 1991 where he started to excel and climb his career ladder.

He has now over 27 years of banking experience acquired with major banking players on the Lebanese market. He also attended various training programs and workshops in Lebanon and abroad.

Mr. BABA earned his Bachelor's degree in Accounting and his Master in Business Administration from the Lebanese American University – Beirut.

Mrs. Jocelyne Y. CHAHWAN

Deputy General Manager of BLOM BANK S.A.L.
Head of Retail Banking at BLOM BANK S.A.L.

- Board Member of AROPE INSURANCE S.A.L. starting April 2019
- Member of VISA CEMEA Business Council
- Member of VISA CEMEA Security Summit and Risk Executive
- Member of the Board Digital Committee of BLOM BANK S.A.L. starting June 2018

Mrs. Jocelyne CHAHWAN, born in 1965, started her banking career in 1990 at the Bank of Montreal in Montreal where she was promoted several times until she reached the title of Manager/Investment Services.

In March 1996, she joined BLOM BANK S.A.L. in Beirut and became the Head of the Training & Development Department. In 1999, she moved to Retail Banking as Head of the Marketing Division.

In 2009, she was promoted to the position of Deputy Head of Retail Banking.

In October 2011, she became the first Lebanese Banker on VISA's advisory council for the Levant, and is now part of the VISA CEMEA Business Council.

In December 2011, she was promoted to Assistant General Manager and in July 2013, she was appointed as Head of Retail Banking.

In 2017, she became a member of VISA CEMEA Security Summit and Risk Executive.

In June 2018, she was promoted to Deputy General Manager and in April 2019 she became a Board Member of AROPE INSURANCE S.A.L.

Mrs. Jocelyne CHAHWAN holds a Master of Business Administration from Ecole Supérieure des Affaires (ESA).

Mrs. Chahwan was awarded the Retail Financial Services Person of the Year in the Middle East and Africa - 2018 by The Asian Banker in recognition of her dynamic leadership in presiding over one of the fastest growing and strongest retail banks in the region.

Dr. Pierre G. ABOU-EZZE

Assistant General Manager of BLOM BANK S.A.L.
Head of Human Resources at BLOM BANK S.A.L.

Dr. Pierre ABOU-EZZE, born in 1955, Assistant General Manager at BLOM BANK S.A.L., has over 20 years of hands-on experience in Human Resources. He has been the Head of HR at BLOM BANK S.A.L. since 1998, and he served as Advisor to the Chairman on training issues from 1995 to 1998.

Prior to joining BLOM BANK S.A.L., Dr. ABOU-EZZE was in academia. He served as the Director of the Graduate School of Business and Management at the American University of Beirut (AUB) from 1993 to 1996, and he was Assistant Professor at the same school from 1991 to 1997.

Before moving back to Lebanon, Dr. ABOU-EZZE started his career as an Assistant Professor of Economics at the University of Ottawa, Canada, and at the University of Kuwait.

Dr. ABOU-EZZE continues to lecture at various Universities in Lebanon, and to lead seminars and workshops in the field of Human Resources. He served as the Chairman of the Human Resources & Social Affairs Committee at the Association of Banks in Lebanon for 2 consecutive terms from 2005 to 2009.

Dr. ABOU-EZZE holds a Ph.D. in Economics from McMaster University, Hamilton, Canada.

Mr. Antoine N. LAWANDOS

Assistant General Manager of BLOM BANK S.A.L.
Chief Information Officer at BLOM BANK S.A.L.

- Member of the Board Digital Committee of BLOM BANK S.A.L. starting June 2018
- Represents BLOM BANK S.A.L. on the board of Interbank Payment Network (IPN)
- Represents BLOM BANK S.A.L. at the ABL Committee for Organization, Standardization and Information Technology

Mr. Antoine LAWANDOS, born in 1963, started his career in 1986 by joining Istisharat, a leading software house, where he was quickly promoted to Head of Production Unit of Banking Software and where he acquired extensive experience in managing the development, implementation and integration of complex and mission-critical universal banking systems. Also, he was one of the main contributors in building and exporting a well-known locally-developed core banking system (ICBS) to renowned banks in Europe and KSA, a pioneering step at that time.

Before joining BLOM BANK S.A.L., Mr. LAWANDOS had mainly serviced the banking sector since he held the position of the Systems Engineering Department Manager at IBM's representative bureau in Lebanon and that of a Project Manager at MDSL - a core banking solutions integrator – for the implementation of a then renowned Irish core banking application (BankMaster).

In 1993, Mr. LAWANDOS joined BLOM BANK S.A.L. as the Project Director for leading the bank's core banking application change and soon after, he became the Senior Manager of the Information Technology and Systems Development Department in 1995.

In 2006, Mr. LAWANDOS became BLOM BANK's Chief Information Officer and in 2008, he was appointed Assistant General Manager of BLOM BANK S.A.L. in addition to being the bank's Chief Information Officer where he has been accompanying the digitization of BLOM BANK S.A.L. products and services and the adoption of the omnichannel banking trend.

Mr. LAWANDOS holds a Master of Electrical and Electronics Engineering degree, with a concentration in Information Systems, from Université Saint-Jospeh's School of Engineering – ESIB and is an expert in various Financial Technology services applied to Core Banking, Retail Banking, Payments, User Experience, and Digital Transformation.

Mr. LAWANDOS has an extensive experience in leading mission-critical systems transformation and implementations as well as technology-driven Mergers and Acquisitions. As a systems and solutions architect, Mr. LAWANDOS has a multi-national exposure to diverse banking markets and practices and has a proven expertise in aligning IT Strategies with business goals as well as in devising technology-driven innovative products and services.

Mr. Talal M. IBRAHIM

Assistant General Manager of BLOM BANK S.A.L.
Head of Central Operations and Group Strategic Planning at BLOM BANK S.A.L.

- Member of the Board Digital Committee of BLOM BANK S.A.L. starting June 2018

Mr. Talal IBRAHIM, born in 1976, started his career with BLOM BANK S.A.L. in 1998. He has acquired over 20 years of diverse experience within the Banking Sector across the MENA region.

In 1998, Mr. IBRAHIM joined the Bank as Assistant Planning and Organization Manager, based in Lebanon, and later moved to Damascus, Syria where he was promoted to Administrative Manager of BANK OF SYRIA AND OVERSEAS in 2004.

In 2006, Mr. IBRAHIM moved to BLOM BANK EGYPT S.A.E. and in 2008 was promoted to Assistant Managing Director for Planning.

During his tenure in Egypt, Mr. IBRAHIM managed the Central Operations, Information Technology and Strategic Planning Groups as well as the Administration Department, overseeing branches expansion and restructuring.

In 2014, Mr. IBRAHIM rejoined BLOM BANK Lebanon S.A.L., as the Head of Central Operations and Group Strategic Planning, where he leads numerous transformation projects by leveraging his regional exposure and operational expertise to achieve efficient operating models.

Mr. IBRAHIM was promoted to Assistant General Manager of BLOM BANK S.A.L. in 2018.

Mr. IBRAHIM holds a B.S. Degree in Computer Science from the Lebanese American University and a Master Degree in Banking & Finance from the American University of Beirut.

Mr. Mounir M. TOUKAN

Assistant General Manager of BLOM BANK S.A.L. *
Head of Commercial Credit & Facilities Division at BLOM BANK S.A.L.

- Board Member of BLOM BANK EGYPT S.A.E.
- Represents BLOM BANK S.A.L. at the Association of Banks in Lebanon Committee for Credit

Mr. Toukan, born in 1962, Assistant General Manager at BLOM BANK S.A.L. has over 35 years of experience in banking and financial institutions.

He graduated from AUB in 1983 with BBA and then completed his MBA in 1987.

He started his professional career in early 1984 at Intra Investment Company as Head of Back Office for the Placement & Financial Investment Division.

Then in 1986, he shifted to work in banking as Head of Internal Audit for Bank Al-Mashrek, and then Arab Bank which he joined in 1987. In 1992 he was promoted to Head of Corporate Department at Arab Bank until 2000.

Later on he worked for a short period of time in Islamic banking as Senior Head of Credit at Bank AL Baraka until he joined BLOM BANK late September 2000.

Since then, Mr. Toukan worked extensively on restructuring and developing the credit analysis process by introducing newly updated concepts and techniques to meet BASEL requirements. In 2009, he was promoted to Head of Commercial Credit & Facilities Division at BLOM BANK S.A.L.

Since 2017, Mr. Toukan became a Board Member for BLOM BANK EGYPT S.A.E., a subsidiary to BLOM BANK S.A.L.

Along with his professional career Mr. Toukan is the instructor of Cost accounting, Banking operations and Auditing at the AUB- CEC program and ISEB – USJ for more than two decades. In addition, Mr. Toukan presented several lectures on credit issues in coordination with the Association of Banks in Lebanon and is the co-author of book titled "General Principles of EDP Security at Banks" published by the Association of Banks in Lebanon, in October 1993.

(*) Starting March 2019

7. BLOM BANK S.A.L. COMMERCIAL ARRANGEMENTS

Any commercial arrangement between the Bank and any of its affiliates is pre-approved by the General Assembly of Shareholders of the Bank and of the concerned affiliate according to art. 158 of the Lebanese commerce law, when applicable.

8. GENERAL MANAGEMENT OF BLOM BANK S.A.L.

Chairman & General Manager	
Mr. Saad AZHARI	
Secretary General / BLOM Group	
Mr. Samer AZHARI	
General Managers	
Dr. Amine AWAD	
Mr. Amr AZHARI	
Mr. Elias ARACTINGI *	
Deputy General Managers	
Mr. Talal BABA	Finance & Treasury
Mrs. Jocelyne CHAHWAN	Retail Banking
Assistant General Managers	
Dr. Pierre ABOU EZZE	Human Resources
Mr. Antoine LAWANDOS	Information Systems
Mr. Talal IBRAHIM	Central Operations & Group Strategic Planning
Mr. Mounir TOUKAN **	Credit & Facilities
Advisors	
Mr. Habib RAHAL	Chairman Advisor
Sheikh Fahim MO'DAD	Chairman Advisor
Mr. Michel AZZAM	Advisor to the General Management
Mr. Samir KASSIS	Advisor to the General Management
Mr. Georges SAYEGH	Advisor to the General Management
Me. Aimée SAYEGH	Advisor to the General Management
Corporate Secretary	
Dr. Rabih RADWAN El DANA	
Chief Economist	
Dr. Ali BOLBOL	
Security Advisor	
Mr. Mohamad Ibrahim Fehmi	

(*) Resigned with effect from 30 June 2019
(**) Appointed on 22 March 2019

DIVISIONS, DEPARTMENTS & UNITS	
Administration	Mr. Mohamed Yehia KHALED
Business Development for Commercial Clients	Mrs. Carla AJAKA
Central Operations & Group Strategic Planning	Mr. Talal IBRAHIM
Communications & Sustainability	Mrs. Isabelle NAOUM
Corporate Credit & Relationship	Mr. Jihad ACHKAR
Corporate Secretary	Dr. Rabih RADWAN EL DANA
Credit & Facilities	Mr. Mounir TOUKAN
External Legal Affairs	Me. Grace ASMAR
Finance	Mr. Talal BABA
Financial Institutions	Mrs. Rana BEYDOUN
Financial Markets	Mr. Marwan ABOU KHALIL
Group Compliance	Mr. Malek COSTA
Group Customer Advocacy - Lebanon	Mrs. Ayla DAME
Group Internal Audit	Mrs. Rania DERIAN
Group Risk Management	Mr. Gerard RIZK
Human Resources	Dr. Pierre ABOU EZZE
Information Systems	Mr. Antoine LAWANDOS
Internal Legal Affairs	Me. Romy CORTBAOUI
Liability Product Management	Mr. Mohamad Mokhtar KASSEM
Marketing Overseas	Mr. Fouad SAID
Marketing Overseas – Gulf Region	Mr. Marcel ABOU JAOUDE
Properties & Facilities	Mr. Habib GHAZIRI
Retail Banking	Mrs. Jocelyne CHAHWAN
SMEs Relationship	Mr. Charles HADDAD
Trade Finance	Dr. Massoud KANTAR
Treasury	Mr. Marwan ABOU KHALIL


READY
READY
READY


READY
TO EXPAND
BY GOING
BEYOND.
READY
READY

Management Discussion & Analysis 2018

1. THE OPERATING ENVIRONMENT IN LEBANON AND THE MENA REGION

Throughout the course of 2018, the macroeconomic picture improved for both oil-importers and oil-exporters. Egypt witnessed a sizeable rebound in GDP growth while Saudi Arabia and Qatar have benefitted from fiscally prudent measures and higher oil prices. Jordan's tax hikes were met with popular outcry but the IMF-recommended measure is expected to gradually bring down the high debt-to-GDP ratio from around 96% of GDP to 77% of GDP in 2021.

As for Lebanon, it is eagerly waiting to unlock the USD 11 billion of loans and grants pledged by the international community during the CEDRE conference and to kick-start much needed reforms.

LEBANON: SELECTED ECONOMIC INDICATORS – BLOMINVEST AND IMF ESTIMATES

	2018e	2019e	2020e	2021e	2022e	2023e
Real GDP growth, percent change	1.0	1.4	2.0	2.4	2.9	2.9
Real GDP growth, USD billion	56.71	59.73	62.45	65.52	68.96	72.62
Inflation, average consumer prices, percent change	6.07	3.53	2.43	2.43	2.43	2.43
General government gross debt, percent of GDP	149.99	152.92	157.43	161.96	166.71	172.37

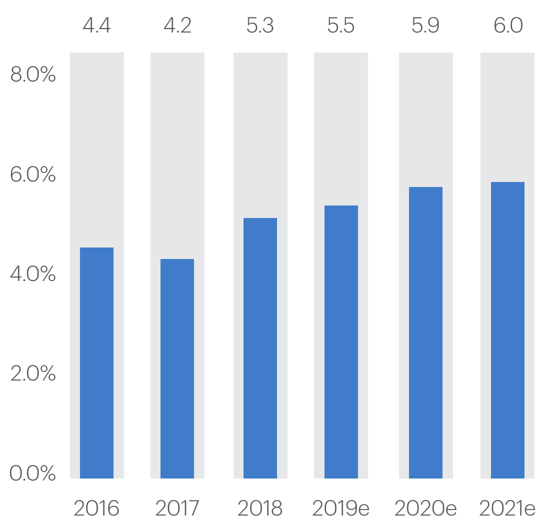
Source: BLOMINVEST Research Department, IMF Regional Outlook, October 2018

Lebanon's real Gross Domestic Product (GDP) growth rate has been revised downwards by the IMF to 1% in 2018, a result also in line with the implied GDP growth from the BLOM Lebanon Purchasing Managers' Index which averaged 46.3 in 2018. Inflation was fueled by higher housing and energy costs. According to the Central Administration of Statistics (CAS), the average yearly inflation rate rose from 4.44% in 2017 to 6.07% in 2018.

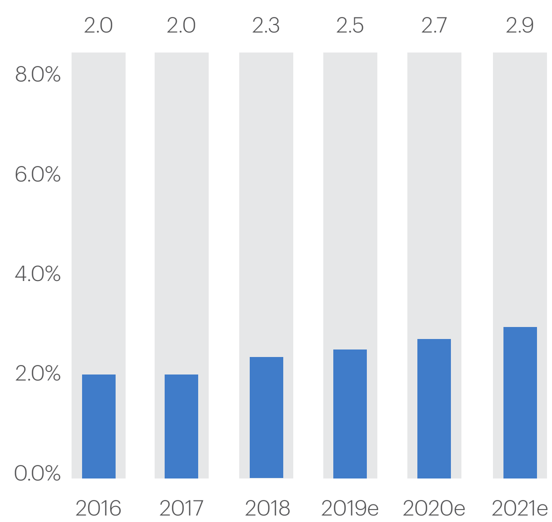
1.1. OUTLOOK ON THE MENA REGION

REAL GDP GROWTH IN %:

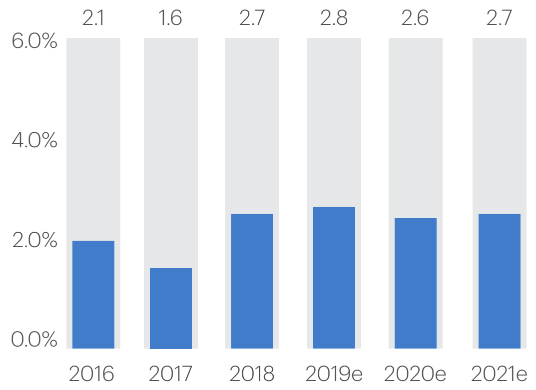
EGYPT



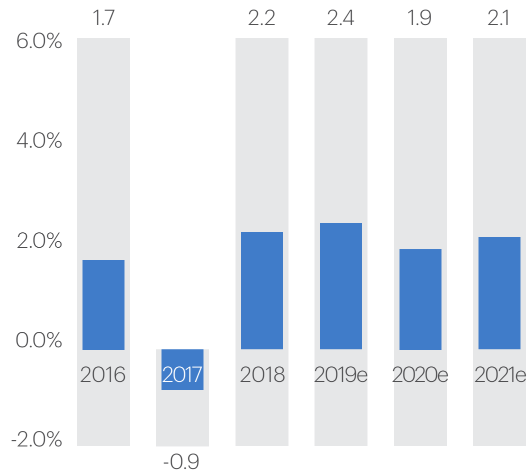
JORDAN



QATAR



SAUDI ARABIA

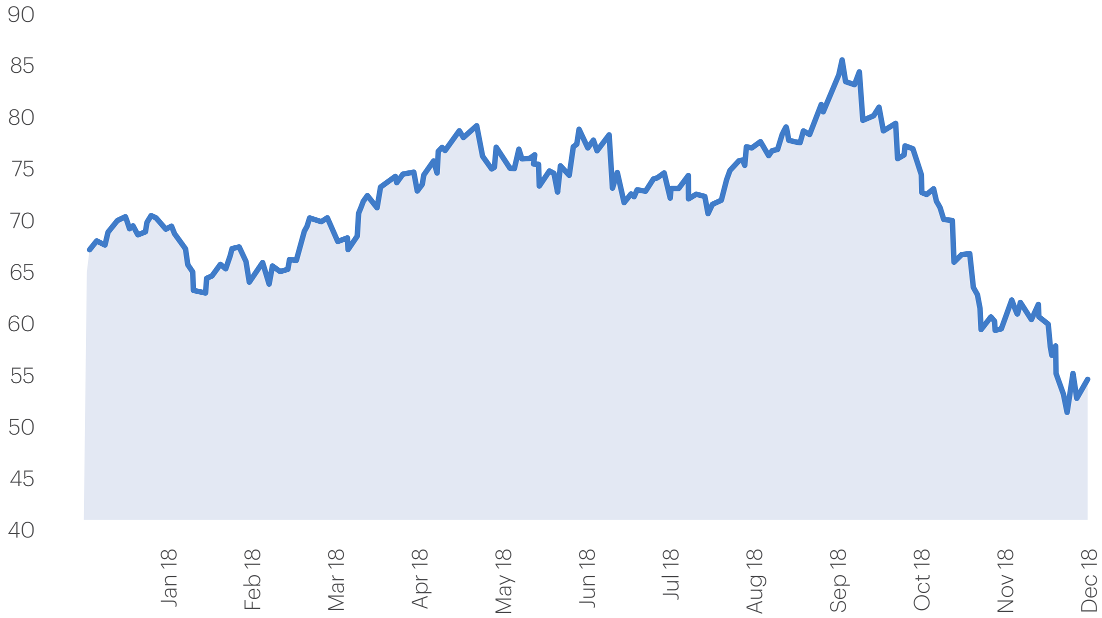


Source: IMF, World Economic Outlook

Over the past 15 years, Middle East, North Africa (MENA) oil exporters benefited from large external, fiscal surpluses and rapid economic expansion on the back of booming oil prices. Banks had ample liquidity from deposits sourced in public sector surpluses, which supported private sector credit and activity. However, as oil prices have plunged by some 60% since the middle of 2014, fiscal and external surpluses have turned into deficits and growth has slowed, raising concerns over the economic slowdown in the region and the heightened risks in the financial sector. According to the IMF, real GDP growth in the MENA region remained sluggish at 1.78% in 2017 and 2% in 2018.

Oil prices experienced important fluctuations during 2018. The average price of crude oil was USD 71.69 per barrel up by 28.34% compared to the same period in the previous year. In fact, by the end of September, the crude oil price hit its highest levels since November 2014 to reach USD 80 per barrel mainly due to supply losses from Venezuela and U.S. sanctions on Iran's energy industry, which came into force in November and were designed to cut crude exports from the third-biggest producer in the Organization of the Petroleum Exporting Countries (OPEC). However, starting October, oil prices began to decrease amid escalating concerns about an increase in global supply and a slowdown in economic growth to settle at USD 53.8 per barrel by the end of 2018 compared to USD 66.87 per barrel by the end of 2017. The International Monetary Fund (IMF) forecasts oil prices at just below USD 60 per barrel in 2019 and 2020 according to the World Economic Outlook report released in January 2019.

OIL PRICES (USD/BARREL)



Source: Bloomberg

The Saudi Arabian economy is recovering from a mild contraction in 2017, driven largely by higher oil production and rising consumer spending. Saudi crude oil production reached 10.4 million barrels per day in June 2018, its highest level since December 2016, just before the OPEC agreement for limiting production. The authorities are implementing tax reforms to reduce the fiscal dependence on oil-based sources. In January 2018, Saudi Arabia began collecting a 5 percent Value Added Tax (VAT). Combined, these new tax measures are expected to support increasing non-oil revenues. Moreover, the adoption of Vision 2030 has spurred reforms in several areas. Efforts have been made to improve the business environment and promote SMEs and financial sector reforms.

As for Egypt, macroeconomic conditions are improving since Egypt's twin deficits are narrowing and inflation has receded sharply in recent months. The Central Bank has cut key policy rates for the first time since the tightening cycle that accompanied the exchange rate flotation in November 2016. Economic activity is picking up, and unemployment rate has fallen below 12% for the first time since 2011. On the sectoral side, the extraction of gas has been a main contributor to growth. Moreover, the tourism sector is rebounding gradually, helped by the effect of local currency depreciation. Therefore, growth is projected to rise to 5.5% in 2019 compared to 5.3% in 2018.

Qatar is still recovering the losses incurred following the economic and diplomatic embargo imposed by its neighbors including United Arab Emirates and Saudi Arabia. Since the eruption of the crisis in June 2017, economic activity has rebounded in 2018 supported by a successful rerouting of trade flows, higher energy prices and 2022 FIFA World Cup related spending. Moreover, reforms protecting foreign workers and introducing permanent residency rights for expats will help with longer-term diversification effort. Hence, growth is expected to reach 2.82% in 2019, compared to 2.69% and 1.58% in 2018 and 2017, respectively.

In Jordan, growth will increase slightly from 2.5% in 2018 to 2.7% in 2019. Growth is expected to be held back by ongoing delays in implementing structural reforms, a challenging regional environment and limited scope for public investment given the constrained fiscal position.

In addition to oil price fluctuations, MENA countries will face the spreading and deepening conflicts across the region. Among the oil exporters, Libya, Iraq, and Yemen are the most severely affected, with tragic humanitarian effects and massive damage to their economies. These conflicts (including in other MENA countries such as Syria) also have significant implications for neighbouring countries, particularly Lebanon and Jordan.

MENA countries are also impacted by US monetary policy. The main issue is still the combination of a strong US Dollars and higher interest rates. On the one hand, MENA countries that are pegged to the US Dollars (Jordan, Oman, Qatar, Saudi Arabia, Lebanon...) had to follow the raise in the interest rates knowing that their economies are recording sluggish growth. On the other hand, countries such as Egypt and Tunisia are hit by a strong dollar. In details, governments and private companies in these countries have benefited from low U.S. interest rates by borrowing in dollars and repaying debt with stronger local currencies. Higher interest rates and strong dollar make these debts more difficult to settle and can lead to defaults in payments.

Slowing growth in China could impart larger-than-expected spillovers to both oil exporters and importers in the MENA regions. This decline in growth may eventually lead to downward pressure on global oil prices, thus negatively impacting fiscal performance and economic activity in oil exporting countries. Moreover the recent slowdown in Chinese investments abroad, particularly those related to the Belt and Road project may hinder trade and economic growth in the region.

1.2. COUNTRY IN FOCUS

The year 2018 proved to be a challenging year for the Lebanese economy, especially given the long political deadlock revolving around the formation of a government.

The Lebanese private sector continued to suffer from low local and regional demand. The BLOM Lebanon Purchasing Managers' Index (PMI) a measure of the activity of the private sector slid from 46.7 in November 2018 to 46.2 in December 2018 and therefore ended 2018 below the average of 46.3 for the year. The PMI readings therefore confirmed our estimate that the implied real GDP growth will not surpass the 1% mark in 2018.

Inflation was fueled by higher housing and energy costs. According to the Central Administration of Statistics (CAS), the average yearly inflation rate rose from 4.44% in 2017 to 6.07% in 2018. In details, the average price of "Housing and utilities" (Housing water, electricity, gas and other fuels) constituting a combined 28.4% of the CPI, witnessed a yearly rise of 6.81%, on the back of increases in its components. "Owner-occupied" rental costs (grasping 13.6% of this category) and "Water, electricity, gas and other fuels" (grasping 11.8% of this category) rose by 3.83% y-o-y and 10.78% y-o-y, respectively.

Lebanon's real estate (RE) and construction sector activities continued to feel the slump in 2018. According to the data from the General Directorate of Land Registry and Cadastre (LRC), the number of real estate (RE) transactions which may include one or more realties registered an annual decrease of 17.44% to reach 60,714 transactions by December 2018. As such, the total value of the real estate transactions over the period dropped by a yearly 18.04% to reach USD 8.13 billion by December 2018. Therefore, the average value per transaction slightly dropped from USD 134,950 in 2017 to USD 133,977 in 2018.

According to the Orders of Engineers in Beirut and Tripoli, the number of construction permits slumped by 16.37% y-o-y to stand at 13,801 permits by the end of 2018. The Construction Area Authorized by Permits (CAP) also fell by an annual 23.79% to 9 million square meters (sqm), indicating investors' growing interest in smaller construction areas for their projects.

The tourism sector saw high arrivals but not yet the return of heavy spenders from Arab countries. According to the Ministry of Tourism, the number of tourists visiting Lebanon, in 2018, displayed a 5.77% y-o-y progress, where the total number of tourists went up from 1.86 million to 1.96 million. This increase is owed to the yearly growths recorded in tourist arrivals from Europe and America which together comprised 54.16% of total tourists in Lebanon.

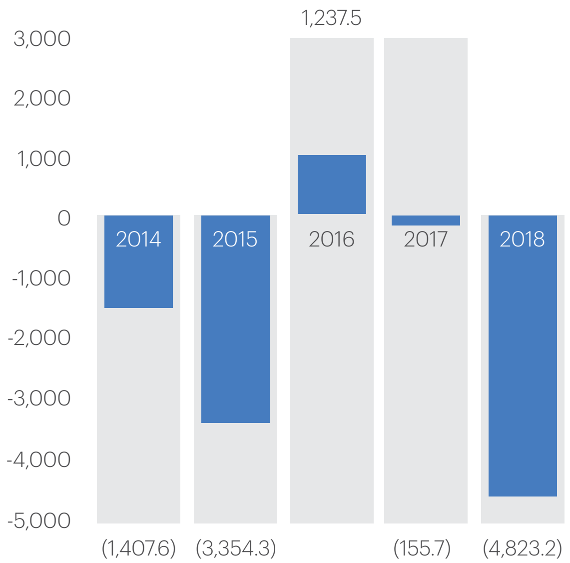
In a geographical breakdown, Lebanon witnessed a growth in the number of European tourists that constituted 35.95% of the total; it grew by 10.37% y-o-y to 705,969 by December 2018 on the back of the rise of the number of tourists from the majority of the European countries.

Arab countries, representing 28.64% of all tourists, recorded a slight increase of 0.22% to stand at 562,535 in 2018 on the back of the significant rise in the number of Egyptian incomers from 83,405 in 2017 to 92,173 in 2018 and in the number of Jordanian tourists by 2.04% to stand at 92,920 in 2018. However, this increase wasn't enough to outweigh the plunge in the number of GCC and Iraqi tourists. In details, tourists from the United Arab Emirates, Iraq, Saudi Arabia, and Kuwait decreased by 7.86% to 1,770, 7.82% to 211,589, 2.96% to 61,547 and 1.62% to 40,382 respectively.

Lebanon's balance of payments' deficit widened in 2018. According to the Central Bank of Lebanon, Lebanon's Balance of Payments (BoP) ended 2018 with a USD 4.82 billion deficit compared to a USD 155.7 million deficit during the same period last year. In fact, the external balance was affected by the political uncertainties and difficult economic situation. In details, the NFAs of the Central Bank and commercial banks dropped by USD 2.29 billion and USD 2.53 billion respectively, over the same period.

In 2018, the Balance was mostly affected by the swap operation engineered in May 2018 between the Ministry of Finance (MoF), Banque du Liban (BDL), and commercial banks which sent the Lebanese Balance of payments (BOP) into a surplus totaling USD 448.7 million by the end of May. In fact, the surplus was partly driven by the Central Bank's new classification of its Eurobonds under "foreign assets" for the computation of the BOP. As a result, the USD 2.48 billion rise in the stock of Eurobonds at BDL led to a USD 2.16 billion increase in the Central Bank's net foreign assets in May.

BALANCE OF PAYMENTS (IN USD MILLION)



Source: BDL

The country's finances remained weak in 2018, although data is only available for the first nine months of the year. According to the Ministry of Finance, Lebanon's fiscal deficit expanded from USD 2 billion by September 2017 to USD 4.50 billion by September 2018. In fact, fiscal revenues witnessed an annual increase of 3.16% to reach USD 8.67 billion while the government spending rose by a yearly 26.16% to stand at USD 13.18 billion.

Lebanon's overall primary balance which excludes Lebanon's debt service posted a deficit of USD 590.89 million, compared to a surplus of USD 1.63 billion by September 2017.

According to the Ministry of Finance, Lebanon's gross public debt reached USD 85.13 billion by the end of the year, adding an annual 7.06% on the back of the rise in both, local currency debt and foreign currency debt. In details, local currency debt (denominated in LBP) grasped a stake of 60.66% of total gross debt and recorded an annual 5.10% rise to stand at USD 51.64 billion by December 2018. Following the same trend, foreign currency debt rose significantly by a yearly 10.23% to settle at USD 33.49 billion, equivalent to 39.34% of Lebanon's gross debt. As for the net public debt, that excludes public sector deposits at commercial banks and BDL, it increased by 9.2% y-o-y to reach USD 75.72 billion by December 2018.

DEBT SUSTAINABILITY ANALYSIS

The issue of debt sustainability is now more relevant than ever. Here we explore two scenarios to assess Lebanon's debt sustainability.

The first scenario is a baseline scenario in which we extend the current trajectory of key variables assuming no reforms are undertaken. In this case, the debt to GDP ratio is expected to swell to 175.6% in 2022. It is worth mentioning that our baseline scenario in this issue of the debt sustainability analysis worsened from our previous estimates as economic growth was revised downwards and as the fiscal deficit is expected to widen.

The second scenario is conservatively optimistic as it assumes sounder fiscal management and the implementation of reforms pledged during the CEDRE conference. In this scenario, we factor in the impact of the pledged funds on economic growth, government revenues and private sector deposits. In this scenario, the debt to GDP ratio would reach 139.7% in 2022.

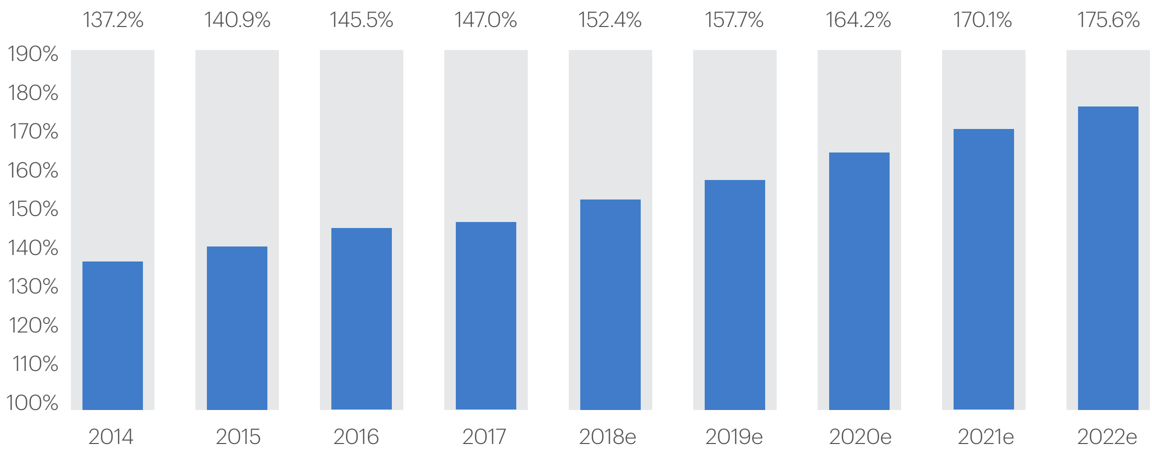
BASELINE SCENARIO

	2016	2017	2018e	2019 - 2022e
Real GDP Growth Rate	1.7%	1.5%	1.0%	2.2%
Government Revenues	3.6%	17.0%	0.2%	3.0%
Government Expenses	9.9%	3.0%	20.0%	5.0%
Total Deposits	7.2%	3.8%	3.5%	5.0%

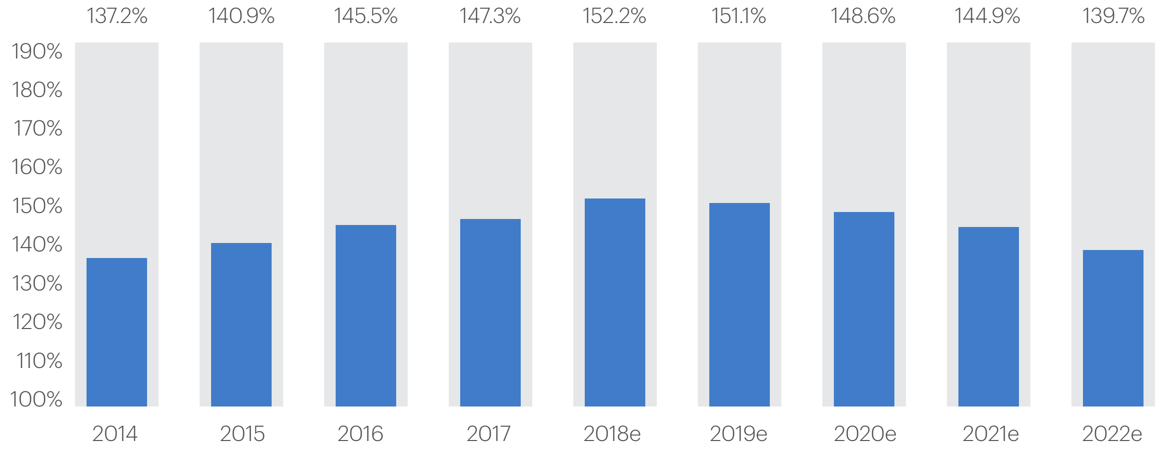
CEDRE + REFORMS SCENARIO

	2016	2017	2018e	2019 - 2022e
Real GDP Growth Rate	1.7%	1.5%	1.0%	3.7%
Government Revenues	3.6%	17.0%	5.0%	6.0%
Government Expenses	9.9%	3.0%	20.0%	1.3%
Total Deposits	7.2%	3.8%	3.5%	7.0%

DEBT TO GDP RATIO – BASELINE



DEBT TO GDP RATIO – CEDRE + REFORMS



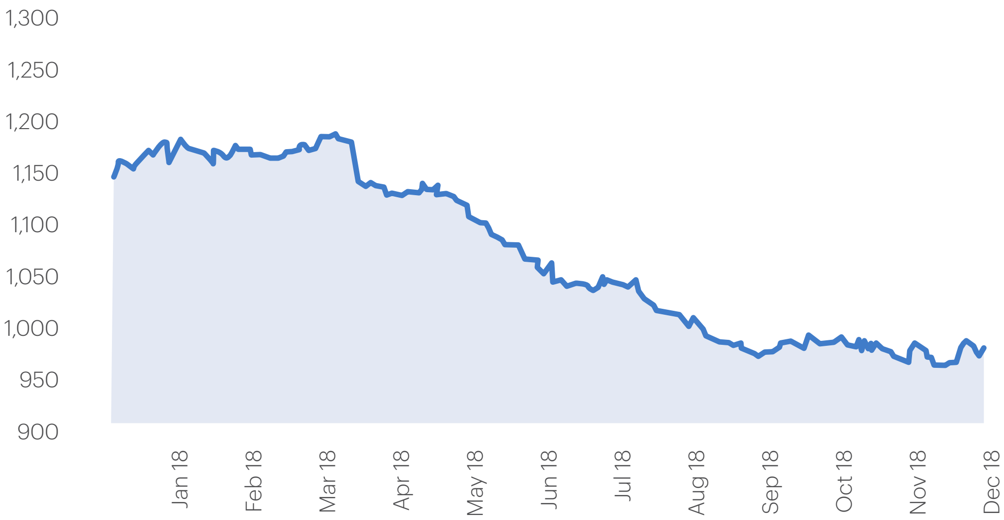
Source: Ministry of Finance, Association of Lebanese Banks, and BLOMINVEST estimates

The Central Bank's (BDL's) balance sheet ended the year with an 18.89% y-o-y increase in its total assets which stood at USD 140.60 billion by the end of 2018. In fact, "Loans to local financial sectors" (23.91% of the total assets) more than doubled rising from USD 12.73 billion last year to USD 33.61 billion this year. Moreover, "BDL's Securities portfolio" (21.93% of total assets) rose by a yearly 5.35% to stand at USD 30.83 billion by December 2018. "Foreign assets" (28.21% of total assets) witnessed a decrease by 5.53% to USD 39.67 billion by December 2018. Meanwhile, "Gold reserves" (grasping 8.37% of total) recorded a downtick by 1.61% y-o-y to USD 11.77 billion.

As for BDL's liabilities, "Financial sector deposits" (85.19% of total liabilities) added 22.87% since year-start to stand at USD 119.78 billion by the end of the year. This is due to the BDL offering banks products with attractive returns. Meanwhile, "Public sector deposits" (3.58% of the total) witnessed a decrease of 14.78% y-o-y to USD 5.03 billion by December 2018.

The extended gridlock around the government's formation put a dent in confidence in 2018. The BLOM Bond Index ended the year down by 12.46% to reach 88.46 points; yields on the Lebanese Eurobonds maturing in 5 and 10 years broke the 7% barrier in early May to climb as high as 11% at the end of the year. The Beirut Stock Exchange also reflected the tough operating environment of 2018 with the BLOM Stock Index declining by 14.90% in 2018 to reach 976.78 points.

BLOM STOCK INDEX



BLOM BOND INDEX

1.3. THE LEBANESE BANKING SECTOR

According to Lebanon's commercial banks' balance sheet, total assets witnessed an increase of 13.48% y-t-d to stand at USD 249.48 billion by December 2018.

In details, deposits with BDL, constituting 52.42% of the total assets, rose by 25.83% to USD 130.77 billion. This was mainly due to the financial engineering implemented by BDL since 2017 offering commercial banks appealing schemes to attract foreign currencies.

Meanwhile, claims on resident customers declined by 3.09% in 2018 to stand at USD 51.80 billion by December 2018. In details, both, the claims on resident customers in Lebanese Pounds and in foreign currencies observed respective drops of 6.09% and 1.64% during the same period to stand at USD 16.33 billion and USD 35.47 billion, respectively.

Worth mentioning, subscription to Eurobonds increased by a yearly 13.12% to stand at USD 16.04 billion in 2018. Lebanon's Central Bank sold USD 3.022 billion of sovereign Eurobonds from its portfolio to commercial banks and financial institutions, following the swap that it conducted with the ministry of finance in May as part of its financial engineering. Meanwhile, subscription to Treasury bills decreased by a yearly 1.35% to USD 17.38 billion.

On the liabilities side, Resident customers' deposits witnessed an increase of 1.66% y-t-d to reach USD 135.45 billion by December 2018. In details, the 4.92% increase in foreign currencies deposits to USD 88.98 billion offset the 4.03% decrease in deposits in LBP to USD 46.48 billion in 2018.

Non-resident customer's deposits witnessed an increase of 7.31% since the beginning of the year to USD 37.73 billion. The increase took place in both deposits of foreign currencies and LBP recording 8.19% and 0.95% to USD 33.41 billion and USD 4.31 billion respectively.

As such, the dollarization ratio of private sector deposits rose from 68.72% in December 2017 to 70.62% in December 2018.

2. OVERVIEW

In 2018, BLOM BANK witnessed another successful year marked by a solid financial position, and a more diversified menu of products and services, despite turbulent economic and political conditions in Lebanon and neighbouring countries.

BLOM BANK's strong position as the leading banking group in Lebanon was reflected by its status as the most awarded bank from reported international and regional financial institutions:

Euromoney
- Best Bank in Lebanon for 2018

Global Finance
- Best Bank in Lebanon for 2019
- Best Investment Bank in Lebanon for 2019 (BLOMINVEST BANK)
- Best Consumer Digital Bank in Lebanon for 2018
- Best in Mobile Banking for 2018
- Most Innovative Digital Bank for 2018

Banker Middle East
- Best Bank in Lebanon for 2018
- Best Corporate Bank in Lebanon for 2018

The Asian Banker
- Best Retail Bank in Lebanon for 2019
- Strongest Bank in Lebanon for 2018

EMEA Finance
- Best Bank in Lebanon for 2018
- Best Asset Manager in Lebanon for 2018 (BLOMINVEST BANK)
- Best Investment Bank in Lebanon for 2018 (BLOMINVEST BANK)

The European
- Corporate Bank of the year for MENA 2019
- Bank of the year in Lebanon for 2019
- Strongest Bank in Lebanon for 2019

MENA FM
- Levant Asset Manager for 2019 (BLOM ASSET MANAGEMENT Co.)

BLOM BANK also continued to maintain the highest financial ratings in Lebanon, for the Bank has been repeatedly rated by Capital Intelligence, a Middle East rating agency, at "B", which is the highest financial strength rating in Lebanon. Moreover, S&P maintained its foreign currency rating for the Bank at "B-". Also the Bank received the highest corporate governance score at 89% from Capital Concepts.

In 2018, BLOM BANK attained the highest level of profits in the Lebanese banking sector with net profit reaching USD 511.6 million, higher by 5.4% from 2017, while total assets reached USD 36.7 billion and total customers' deposits reached USD 27.2 billion.

In terms of strategy, BLOM BANK continued to build on its geographic expansion and business services diversification. Foreign expansion not only spreads the risk of operating in Lebanon, but also diversifies the income base by taking advantage of the economic and business opportunities present in regional economies. By 2018, BLOM BANK was present in 12 countries: Lebanon, Egypt, Jordan, Qatar, UAE, Iraq, France, Switzerland, England, Cyprus, Kingdom of Saudi Arabia and Romania. In addition, the Bank has developed further its branch network by opening one new branch in Lebanon: Mar Takla - Hazmieh, and two new branches in Egypt: October Branch - Glory Mall, and El Shams Club, and expanding its Head office network in Lebanon by opening a new building in Mazraaa area to be used for both additional Head office network for BLOM Lebanon and a Headquarter for BLOM DEVELOPMENT BANK.

The other component of the strategy is to diversify business activities towards a universal banking model. As a result, the Bank has expanded the operations of its investment arm, BLOMINVEST BANK, by enhancing its private and investment banking and capital market activities. In addition, the Bank established its own BLOM ASSET MANAGEMENT Company so as to give more institutional backing to the business of establishing funds and investment vehicles for retail and high net-worth investors that are diversified across different assets and geographies. Also, the Bank has been very active in acquiring short and long term funds from international funding and development institutions such as IFC, EBRD, EIB and others. In parallel, the Bank is pursuing a strong digitalization drive by limiting its branch expansion and developing top-noted digital services and products. This is bound to reduce operating cost and, as important, to meet the growing international trend of electronic banking.

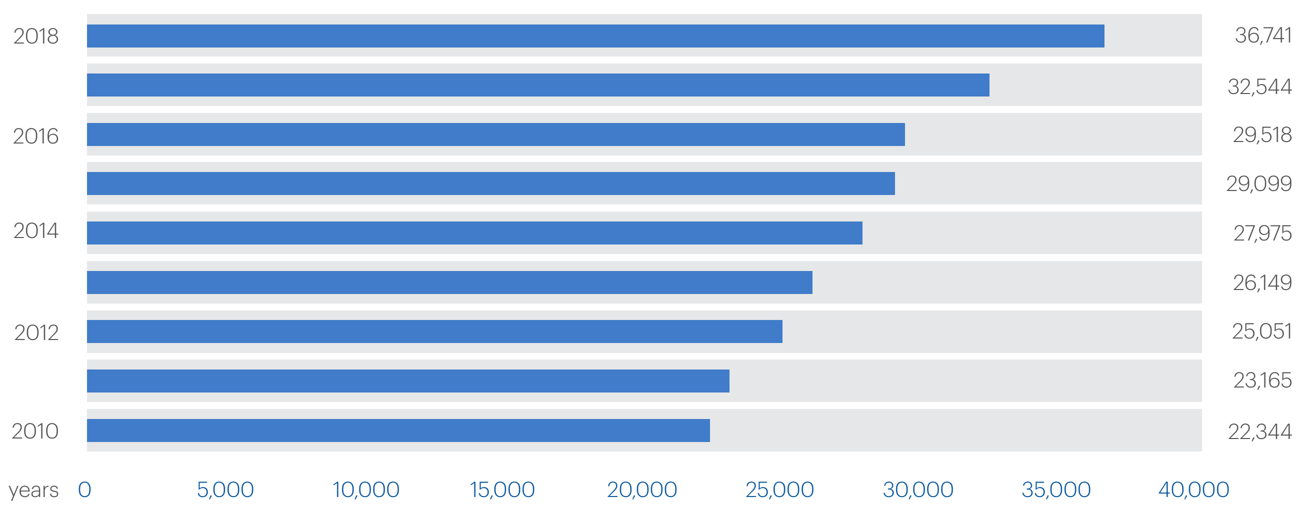
BLOM BANK will continue to pace its growth strategy in the coming years by capitalizing on its distinguished resources and capabilities and its successful business model. In doing so, it will make sure to generate excellent values to its stakeholders and to stay as one of the leading banks in the region.

3. TOTAL ASSETS

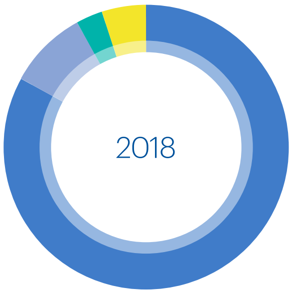
BLOM BANK's total assets continued to witness healthy growth rates in year 2018. Total assets grew by USD 4.2 billion, or 12.90%, reaching USD 36.74 billion.

This resulted from the Bank's expansionary policy and the perceived confidence of both residents and expatriates in BLOM BANK Group as a trustworthy source of placing their deposits.

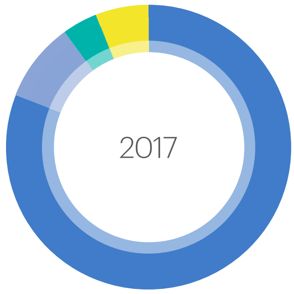
EVOLUTION OF TOTAL ASSETS (IN USD MILLION)



TOTAL ASSETS BY REGION



	%
Lebanon	82.7
MENA	8.9
Gulf	3.3
Europe	5.1

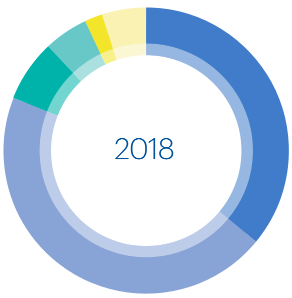


	%
Lebanon	81.4
MENA	9.5
Gulf	3.6
Europe	5.5

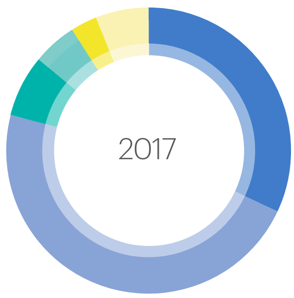
In terms of geographical allocation, BLOM BANK's overseas operations constitute 17.3% of consolidated assets with BLOM BANK FRANCE Group comprising the largest international market share of the Bank's assets.

MENA includes Egypt, Jordan and Iraq. Gulf includes UAE, Qatar and KSA. Europe includes France, United Kingdom, Romania, Switzerland and Cyprus.

TOTAL ASSETS BY CURRENCY



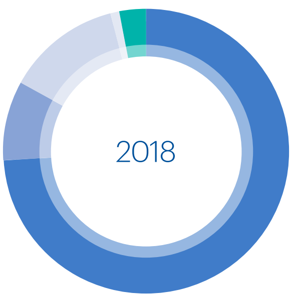
	%
LBP	35.8
USD	45.3
Euro	7.0
EGP	4.7
JOD	2.3
OTHER	4.9



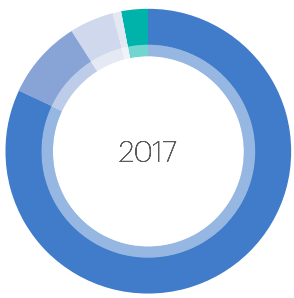
	%
LBP	31.8
USD	47.1
Euro	7.3
EGP	4.7
JOD	2.7
OTHER	6.4

Total assets by currency reveals that 45.3% are denominated in US Dollars followed by Lebanese Pounds at 35.8%. The overall share of assets denominated in foreign currencies stood at 64.2% as compared to 68.2% a year earlier.

4. SOURCES OF FUNDS



	%
Customers' Deposits	74.1
Total Capital Funds	8.9
Due to Central Banks	12.9
Deposits and Similar Accounts with Banks and Financial Institutions	1.6
Other Liabilities	2.5



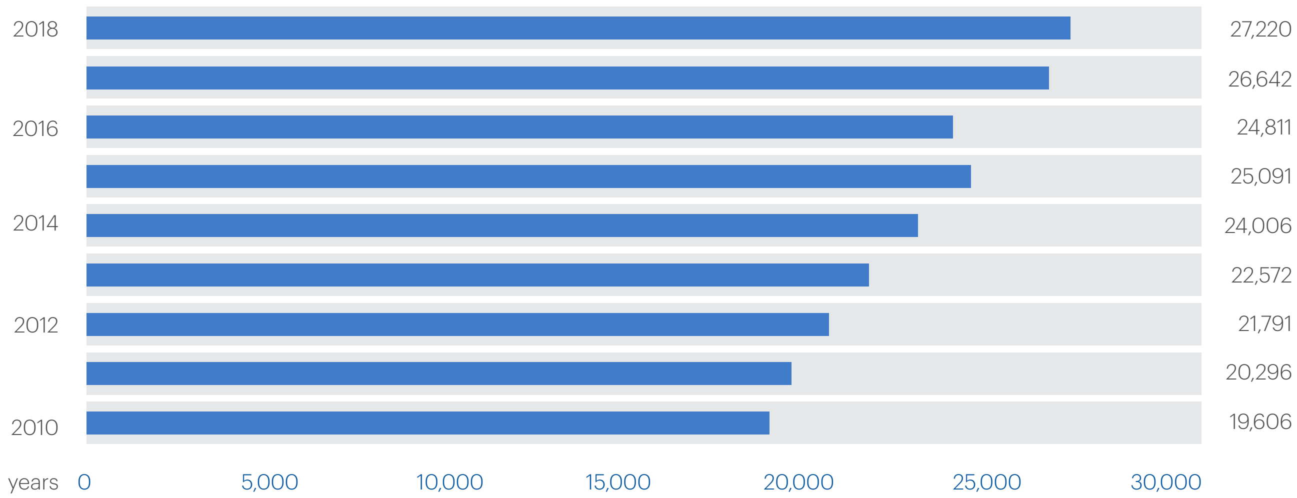
	%
Customers' Deposits	81.9
Total Capital Funds	9.2
Due to Central Banks	4.6
Deposits and Similar Accounts with Banks and Financial Institutions	1.2
Other Liabilities	3.1

BLOM BANK's main sources of funding include customers' deposits and total capital funds. Customers' deposits funded 74.1% of the Bank's total assets in 2018, while total Capital funds constituted 8.9% of the total funds during the same period.

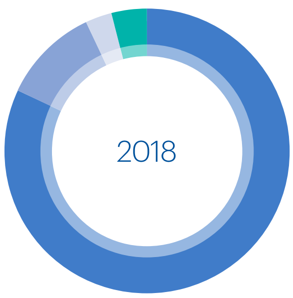
4.1 CUSTOMERS' DEPOSITS

The confidence of depositors who opted for a safe and trustworthy haven for their funds positively impacted BLOM BANK's deposits in 2018. Total customer deposits increased by 2.17%, reaching USD 27.22 billion.

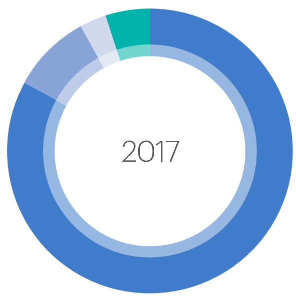
EVOLUTION OF CUSTOMERS' DEPOSITS (IN USD MILLION)



CUSTOMERS' DEPOSITS BY REGION



	%
Lebanon	82.0
MENA	10.2
Gulf	2.9
Europe	4.9

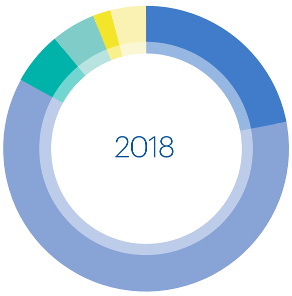


	%
Lebanon	82.1
MENA	9.7
Gulf	2.9
Europe	5.3

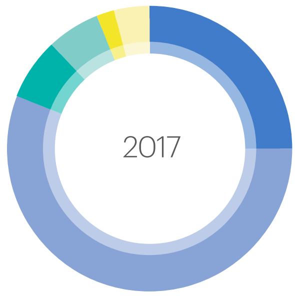
A concentration analysis of consolidated deposits by region reveals that Lebanon maintained the lead share with 82.0%, whereas regional and European countries' share was 18.0%.

In addition, BLOM BANK had the highest market share in terms of domestic deposits (in Lebanon) within Alpha Group (Lebanese banks with deposits over USD 2 Billion) reaching 13.5% in 2018.

CUSTOMERS' DEPOSITS BY CURRENCY



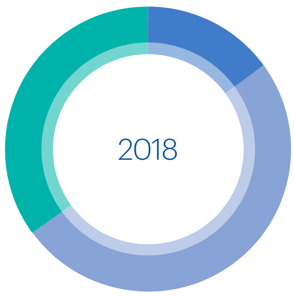
	%
LBP	21.4
USD	60.5
Euro	6.4
EGP	5.4
JOD	2.3
OTHER	4.0



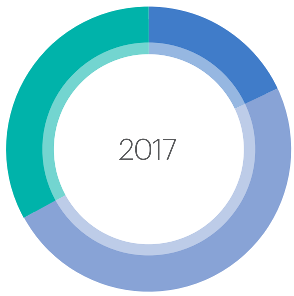
	%
LBP	25.3
USD	56.5
Euro	6.7
EGP	5.0
JOD	2.6
OTHER	3.9

With regards to foreign currencies' share of total deposit, they increased by 3.9% in 2018 to settle at 78.6%. Over the same period, the dollarization rate accounted for 60.5% of total customers' deposits.

CUSTOMERS' DEPOSITS BY TYPE OF CLIENT



	%
Corporate	15.0
Individuals	50.0
High Net Worth Individuals	35.0



	%
Corporate	16.7
Individuals	48.1
High Net Worth Individuals	35.2

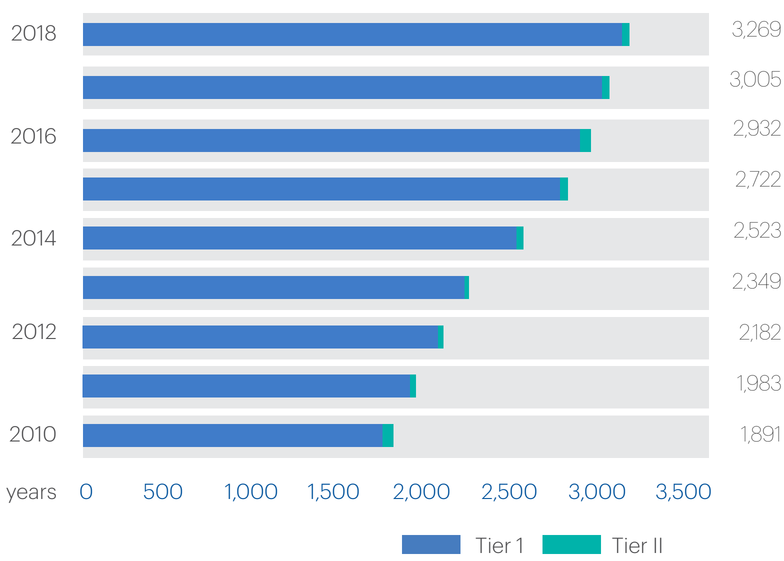
A concentration analysis of consolidated deposits by type of client reveals that Individuals and Hight Net Worth Individuals deposits' share increased by 1.7% in 2018 to settle at 85.0% and "corporate" deposits' share decreased by 1.7% to reach 15.0%.

4.2 CAPITALIZATION (TIER I & TIER II CAPITAL)

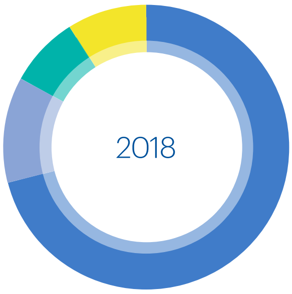
Total capital funds increased by 8.8% at year-end 2018 compared to 2.5% at year-end 2017.

A detailed analysis of the Bank's regulatory capital is presented in the risk management section of the MD&A.

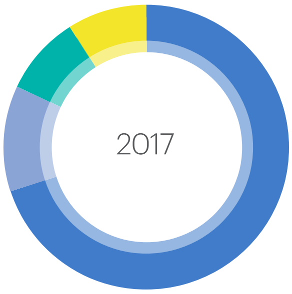
TIER I & TIER II CAPITAL (in USD Million)



CAPITAL FUNDS BY REGION



	%
Lebanon	70.8
MENA	12.1
Gulf	8.3
Europe	8.8



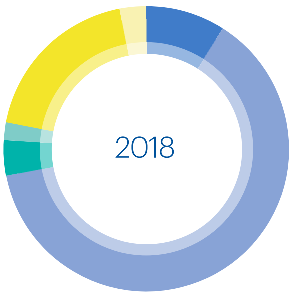
	%
Lebanon	70.5
MENA	11.5
Gulf	8.5
Europe	9.5

A concentration analysis of total capital funds by geographical distribution shows that Lebanon accounted for 70.8% at the end of 2018 (70.5% in 2017) and the remaining 29.2% were spread among countries in MENA, Gulf and Europe.

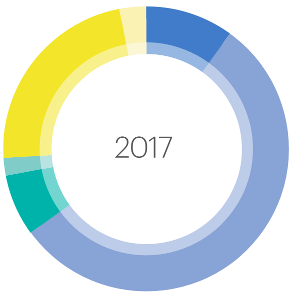
5. USES OF FUNDS

BLOM BANK's strategy focuses on maintaining a high asset quality and a strong portfolio of investments. The risk component, which has always been the Bank's primary consideration while assessing the uses of funds, is reflected in its return on assets ratio that has always been at the forefront of Lebanese banks, where BLOM BANK maintained the number 1 rank for the past seven years among the alpha group (Lebanese banks with deposits over USD 2 billion). The 2018 return on assets ratio recorded 1.48%.

Within the overall uses of funds, the share of Lebanese Treasury Bills as well as other governmental debt securities to total assets decreased to 8.5% in 2018, down from 10.1% in 2017. whereas the share of cash and deposits at the Central Bank to total assets increased to 63.2% in 2018 from 54.4% in 2017. Placements with other banks and financial institutions decreased to 4.3% of total assets in 2018 compared to 7.4% in 2017. On the other hand, the share of bonds and financial instruments with fixed income decreased to 1.6% in 2018, from 1.8% in 2017.



	%
Lebanese Treasury Bills and other Governmental Bonds	8.5
Cash and Central Banks	63.2
Banks and Financial Institutions	4.3
Bonds and Financial Instruments with Fixed Income	1.6
Loans and Advances to Customers	19.5
Others	2.9



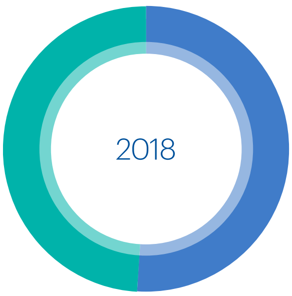
	%
Lebanese Treasury Bills and other Governmental Bonds	10.1
Cash and Central Banks	54.4
Banks and Financial Institutions	7.4
Bonds and Financial Instruments with Fixed Income	1.8
Loans and Advances to Customers	23.2
Others	3.1

5.1 INVESTMENT PORTFOLIO

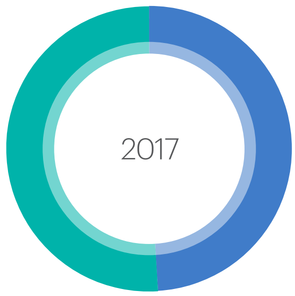
BLOM BANK's investment portfolio increased by USD 5,340 million, or 24.7%, during 2018 and is predominantly made up of Central Banks' exposure (85.5% of total portfolio), governmental debt securities (11.6% of total portfolio), bonds and financial instruments with fixed income (2.1% of total portfolio), funds and equity instruments (0.8% of total portfolio). The increase in Central Banks' exposure was primarily due to the Central Bank of Lebanon that introduced in 2017 a new scheme to finance 100% of the purchase price of Lebanese treasury bills by Lebanese banks at a 2.0% interest rate against the latter placing 80% of the financed amount in USD equivalent as long-term deposits with the Central Bank of Lebanon.

USD Million	2018	2017
Sovereign Exposure	**26,174**	**20,829**
Placements with Central Banks	21,792	16,162
Lebanese Treasury Bills and other Governmental Bonds	3,138	3,297
Central Banks' Certificates of Deposits	1,244	1,370
Corporate Securities	**783**	**788**
Bonds and Financial Instruments with fixed Income	575	583
Equity and Funds	208	205
Investment Portfolio	**26,957**	**21,617**

SOVEREIGN EXPOSURE BY FUNCTIONAL CURRENCY



	%
Functional Currencies	50.7
Other Currencies	49.3

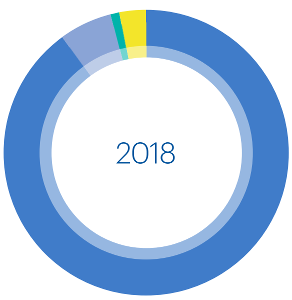


	%
Functional Currencies	48.8
Other Currencies	51.2

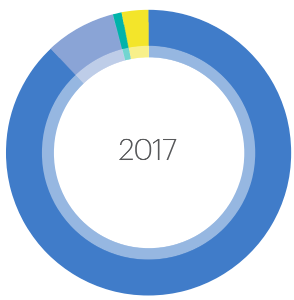
A currency analysis of the sovereign exposure (government debt securities and Central Banks balances) reveals that 50.7% of total sovereign assets in year 2018 were denominated in the functional currencies of the countries that BLOM BANK Group is present in, and 49.3% of sovereign assets in year 2018 were denominated in other currencies.

The major functional currency remains the LBP that constitute 83.5% out of the functional currencies for year 2018 followed by 8.0% for EGP and 3.0% for CHF.

SOVEREIGN EXPOSURE BY ISSUING COUNTRY



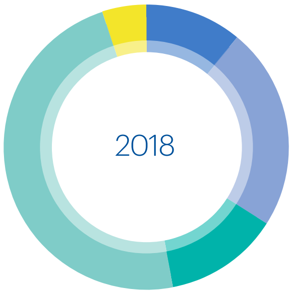
	%
Lebanon	90.0
MENA	6.0
Gulf	1.1
Europe	2.9



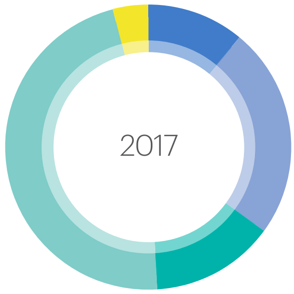
	%
Lebanon	88.7
MENA	7.4
Gulf	1.0
Europe	2.9

A concentration analysis of total sovereign exposure by issuing country reveals that 90.0% of the total sovereign assets at end of 2018 are concentrated in Lebanon followed by MENA at 6.0%, Europe at 2.9% and Gulf at 1.1%.

CORPORATE SECURITIES EXPOSURE BY ISSUING COUNTRY



	%
Lebanon	11.0
MENA	23.1
Gulf	12.4
Europe	48.3
Other	5.2



	%
Lebanon	10.3
MENA	24.1
Gulf	14.2
Europe	46.6
Other	4.8

A concentration analysis of corporate securities by issuing country reveals that 48.3% of BLOM BANK's corporate securities are issued by European countries followed by MENA countries at 23.1%, Gulf countries at 12.4%, Lebanon at 11.0% and other countries at 5.2%.

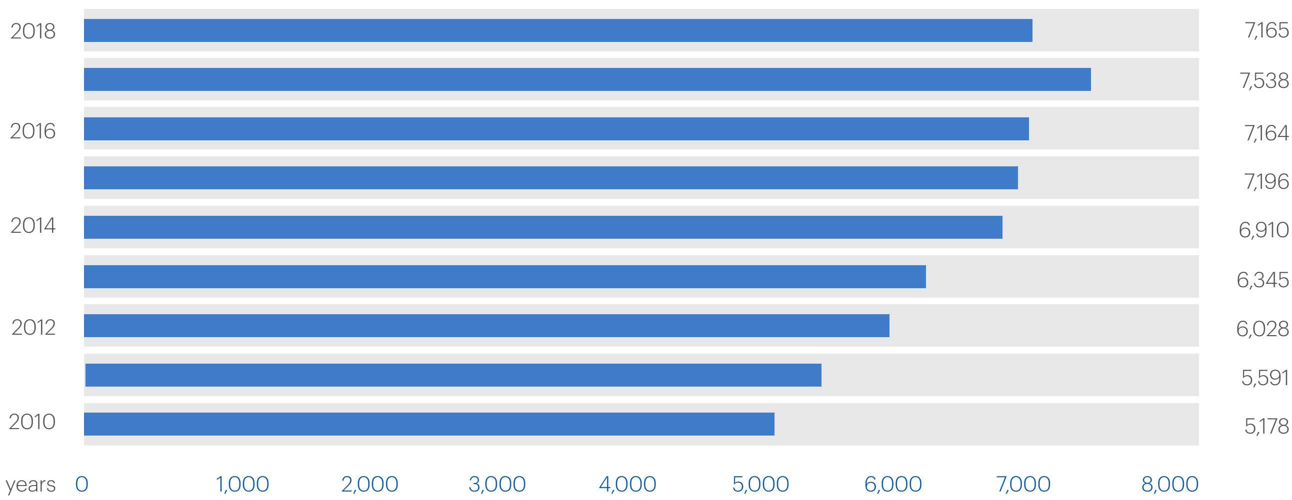
5.2 LOANS AND ADVANCES TO CUSTOMERS

Following BLOM BANK's adoption of a conservative loan strategy in order to maintain a high asset quality, the ratio of net loans and advances to total deposits has been successfully maintained at relatively low levels at 26.3% in 2018 compared to 28.3% in 2017.

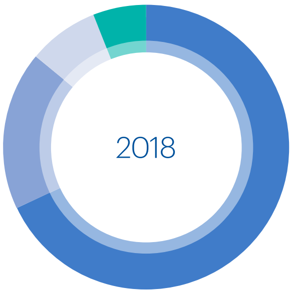
Due to the challenging economic conditions in Lebanon and the region during 2018, BLOM BANK's loan portfolio dropped by USD 373 million, or 5.0%, to reach USD 7,165 million at year end 2018.

BLOM BANK's market share in terms of total loans and advances within the Alpha Group (Lebanese banks with deposits over USD 2 billion) reached 11.2% in 2018.

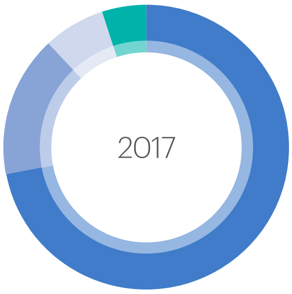
EVOLUTION OF LOANS AND ADVANCES TO CUSTOMERS (IN USD MILLION)



LOANS TO CUSTOMERS BY REGION



	%
Lebanon	68.3
MENA	17.5
Gulf	8.2
Europe	6.0



	%
Lebanon	72.1
MENA	15.6
Gulf	7.0
Europe	5.3

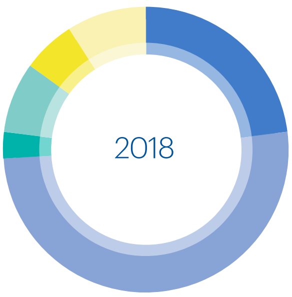
A concentration analysis of the loan portfolio by region reveals that Lebanon maintained the lead share with 68.3% at the end of 2018 (72.1% in 2017), while the remaining loan portfolio was spread among the group entities mainly in the MENA region which accounted for 17.5% at the end of 2018 up from 15.6% in 2017. Gulf region accounted for 8.2% (7.0% in 2017) and Europe held 6.0% (5.3% in 2017) of the loan portfolio.

BLOM BANK's commercial loan portfolio accounted for 58.0% of the total loan portfolio at the end of 2018 (57.5% in 2017) brokendown into 36.9% corporate loans and 21.1% SME loans. Retail loans comprised the remaining 42.0% of total loan portfolio at the end of 2018 (42.5% in 2017).

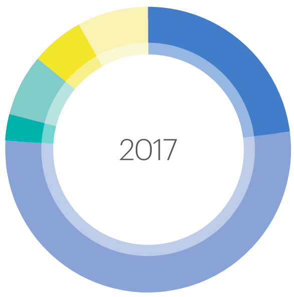
LOANS TO CUSTOMERS BY TYPE

	2018		2017	
USD Million	Balance	% from Total	Balance	% from Total
Corporate Loans	2,643	36.9%	2,833	37.5%
SME Loans	1,511	21.1%	1,504	20.0%
Retail Loans	3,011	42.0%	3,201	42.5%
Total Loans to Customers	**7,165**	**100.0%**	**7,538**	**100.0%**

LOANS TO CUSTOMERS BY CURRENCY



	%
LBP	22.5
USD	51.3
Euro	3.4
EGP	7.6
JOD	6.6
OTHER	8.6

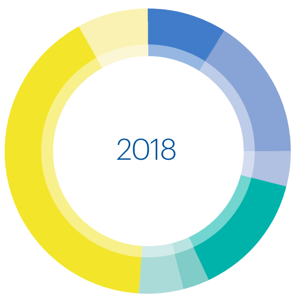


	%
LBP	22.7
USD	53.0
Euro	3.4
EGP	6.6
JOD	6.4
OTHER	7.9

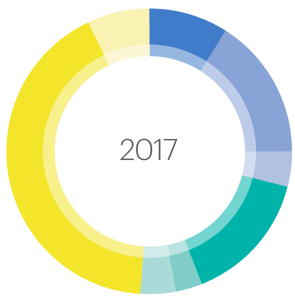
Currency analysis of the loan portfolio at year end 2018 reveals that US Dollars is the dominant currency with 51.3% share of total loans followed by Lebanese Pound at 22.5%.

The remaining currencies, mainly Egyptian Pound and Jordanian Dinar, both constitute 14.2% of total loan portfolio.

GROSS LOANS TO CUSTOMERS BY ECONOMIC SECTOR



	%
Manufacturing	9.2
Trade	16.1
Construction (Developers)	4.2
Construction (Project Financing)	13.5
Financial Services and Brokerage	2.9
Hotels and Resturants	4.8
Consumer Loans	41.1
Others	8.2

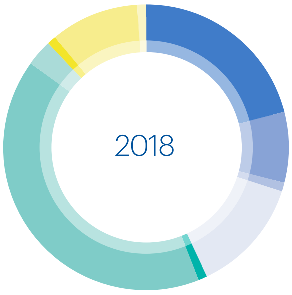


	%
Manufacturing	8.7
Trade	16.2
Construction (Developers)	3.8
Construction (Project Financing)	14.6
Financial Services and Brokerage	3.6
Hotels and Resturants	4.3
Consumer Loans	41.6
Others	7.2

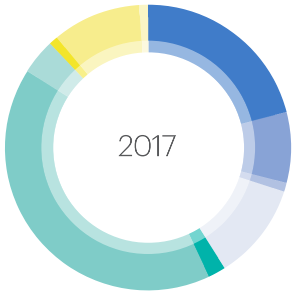
BLOM BANK seeks diversification in its loan portfolio through lending to different economic sectors.

The highest economic sector share is for Consumer Activities (41.1%), followed by Construction (17.7%), Trade (16.1%), and Manufacturing (9.2%).

GROSS LOANS TO CUSTOMERS BY TYPE OF COLLATERAL



	%
Commercial Loans Secured by Mortgages	20.6
Advances Against Personal Guarantees	8.2
LC Financing	0.9
Advances Against Cash Collateral	12.8
Syndicated Loans	1.3
Retail Loans	41.1
Advances against securities	3.3
Advances against Bank Guarantees	0.3
Overdraft	11.3
Other	0.2



	%
Commercial Loans Secured by Mortgages	20.9
Advances Against Personal Guarantees	8.4
LC Financing	1.1
Advances Against Cash Collateral	11.6
Syndicated Loans	1.4
Retail Loans	41.6
Advances against securities	3.8
Advances against Bank Guarantees	0.4
Overdraft	10.4
Other	0.4

BLOM BAMK's loan portfolio remains highly backed by multiple forms of collateral, where secured corporate lending accounted for 47.4% of the total loan portfolio at the end of 2018 and secured retail loans against mortgage (mainly housing and car loans) represented 33.5% of total loan portfolio, whereas overdraft and other unsecured corporate loans accounted for 11.5%.

5.3 ASSET QUALITY BY REGION

USD Million	Lebanon	MENA	Gulf	Europe	Consolidated
	2018				
Allowances for ECL- Stage 3 [(1)]	187	34	6	31	**258**
Gross NPL/Gross loans	4.89%	3.34%	1.05%	7.57%	**4.48%**
Coverage ratio	76.91%	77.78%	100.00%	88.85%	**76.91%**
Coverage ratio after accounting for real guarantees and excluding collective provisions	135.45%	135.06%	278.00%	105.35%	**134.90%**

USD Million	Lebanon	MENA	Gulf	Europe	Consolidated
	2017				
Monetary provisions [(2)]	94	16	9	19	**138**
Collective provisions	54	12	2	-	**68**
Gross NPL/Gross loans	2.94%	2.08%	2.42%	9.38%	**3.13%**
Coverage Ratio by monetary provisions	84.30%	79.19%	89.50%	83.46%	**83.91%**
Coverage ratio by monetary and collective provisions	116.55%	127.27%	108.81%	83.59%	**111.77%**
Coverage ratio by monetary provisions and real guarantees	132.38%	133.23%	165.92%	97.11%	**128.42%**

[(1)]Including substandard, doubtful and bad debt loans.
[(2)] including doubtful and bad debt loans.

Gross non-performing loans to gross loans ratio for BLOM BANK Group for the year 2018 increased to 4.5% as compared to 3.1% a year earlier. The coverage ratio of non-performing loans reached 76.9% in 2018, and 134.9% when accounting for real guarantees and excluding collective provisions.

6. LIQUIDITY

Liquidity Ratios	2018	2017
Net immediate liquidity in foreign currency	74.15%	67.39%
Net liquidity ratio in LBP	116.39%	122.47%
Liquidity in total currency	83.49%	81.39%
Liquid Assets / Total Assets	56.31%	67.30%

BLOM BANK's ability to maintain high liquidity levels, minimize risks and ensure high quality of assets has been at the center of liquidity management and core objectives of the group. The Bank has successfully maintained ample liquidity in 2018, where overall liquidity recorded 56.3% compared to 67.3% in 2017.

As such, the Lebanese pound liquidity ratio (including Lebanese governmental treasury bills) was 116.4% in 2018 as compared to 122.5% in 2017, reflecting high liquidity levels. Moreover, the immediate liquidity (cash & banks) in foreign currencies increased to 74.2% of foreign currency deposits in 2018, as compared to 67.4% in 2017.
The liquidity position is assessed and managed under a variety of scenarios, giving consideration to stress factors relating to both the market in general and specifically to the group.

BLOM BANK has arranged diversified lending sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis.

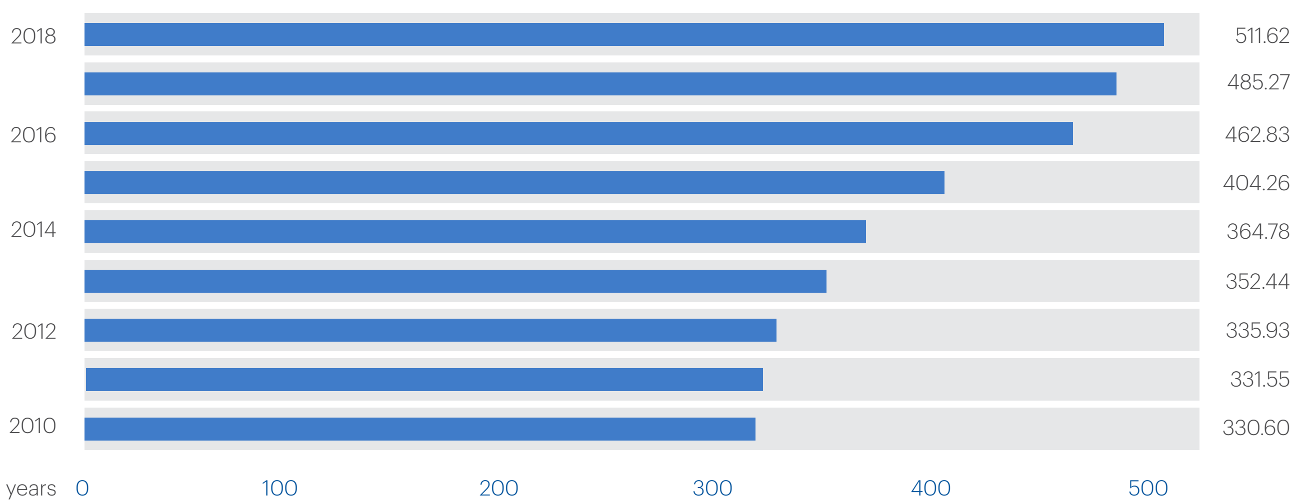
BLOM BANK was ranked first among alpha group in net primary liquidity to deposits ratio and primary liquidity to assets ratio reaching 75.8% and 64.2% respectively. Placements with banks and financial institutions serve as the initial support of the Bank in terms of liquidity stress. Total placements with banks and financial institutions at year end 2018 amounted to USD 1.6 billion representing 4.3% of total assets. More than 80% of placements with banks and financial institutions are placed in investment grade credit rating and above.

7. PERFORMANCE

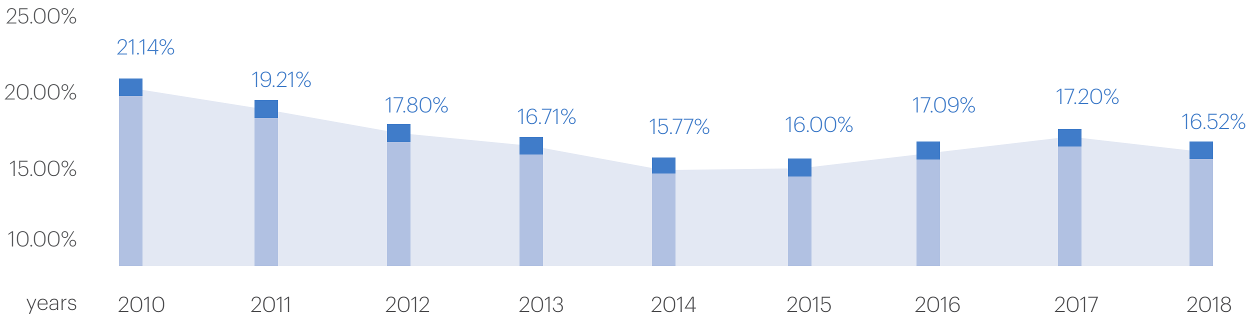
BLOM BANK was the most profitable and the best performing bank in Lebanon for the year 2018 given its high quality core income, above average margins and high performance ratios. The Bank recorded net profit of USD 511.6 million, increasing by 5.4% compared to the year 2017 where net profits reached USD 485.3 million. BLOM BANK's Lebanese operations still constitute the lion's share with 86.1% of total net income.

BLOM BANK's profits contributed to a considerable portion of the total banking sector profits as it accounted for a share of 22.5% in the consolidated net profit of the Alpha Group.

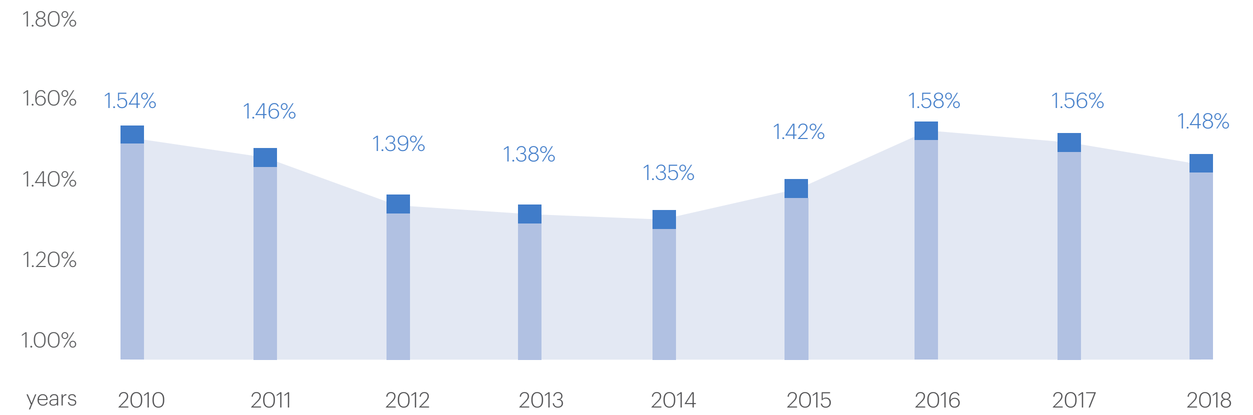
EVOLUTION OF NET INCOME (IN USD MILLION)



RETURN ON AVERAGE COMMON EQUITY



RETURN ON AVERAGE ASSETS



BLOM BANK's performance was also reflected in attaining the highest profitability ratios. The Bank came for the eigth consecutive year on top of the Lebanese listed banks for both the return on average common equity (ROACE) and return on average assets (ROAA).

ROACE reached 16.52% in 2018 as compared to 17.20% a year earlier, and ROAA reached 1.48% in 2018 as compared to 1.56% in 2017.

SUMMARY INCOME STATEMENT

USD Million	2018	2017	Balance change	% Change
Net interest income	840.5	737.6	102.9	14.0%
Non-interest income	186.1	287.7	(101.6)	-35.3%
Total operating income	**1,026.6**	**1,025.3**	**(1.3)**	**0.1%**
Net impairment losses on financial assets	**(11.2)**	**(12.7)**	**1.5**	**-11.8%**
New and increased impairment allowance	(95.1)	(36.2)	(58.9)	162.7%
Recoveries	83.9	23.5	60.4	257.0%
Net operating income	**1,015.4**	**1,012.6**	**2.8**	**0.3%**
Operating expenses	(385.0)	(408.0)	23.0	-5.6%
Profit before tax	**630.4**	**604.6**	**25.8**	**4.3%**
Income tax expense	(118.8)	(119.3)	0.5	-0.4%
Profit for the year	**511.6**	**485.3**	**26.3**	**5.4%**

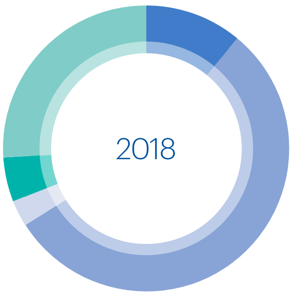
7.1 NET INTEREST INCOME

Net interest income registered an increase of USD 102.9 million, or 14.0%, to reach USD 840.5 million in 2018. The growth came as a result of an increase in interest and similar income by USD 386.0 million, or 20.9%, to reach USD 2,232.4 million in 2018, while interest and similar charges increased by USD 283.1 million, or 25.5%, to reach USD 1,391.9 million in 2018.

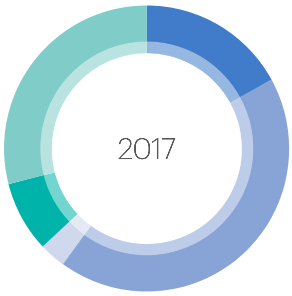
7.1.1 INTEREST AND SIMILAR INCOME

The USD 102.9 million increase in Net Interest Income was reached net of the additional taxes on interest introduced in Lebanon effective October 2017. Total tax on interest reached USD 105 million in 2018 compared to USD 15 million in 2017 (starting October 2017). For breakdown of the tax on interest income refer to note 7 of the Consolidated Financial Statement.

Interest and similar income is comprised of a diversified interest income generating instruments brokendown into placements with the Central Banks, loans and advances to customers and fixed income securities. Placements with Central Banks' share of interest income remains the highest at 55.4% (42.6% at year end 2017) followed by Loans and Advances to Customers at 26.3% (29.3% at year end 2017).

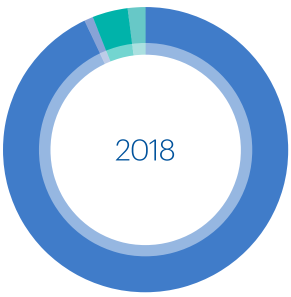


	%
Lebanese Treasury Bills and other Governmental Bills	11.2
Due from Central Banks	55.4
Deposits and Similar Accounts with Banks and Financial Institutions	2.6
Bonds and Other Financial Instruments with Fixed Income	4.5
Loans and Advances to Customers	26.3

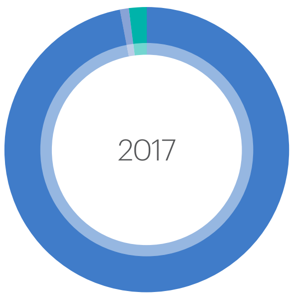


	%
Lebanese Treasury Bills and other Governmental Bills	17.2
Due from Central Banks	42.6
Deposits and Similar Accounts with Banks and Financial Institutions	2.7
Bonds and Other Financial Instruments with Fixed Income	8.2
Loans and Advances to Customers	29.3

7.1.2 INTEREST AND SIMILAR CHARGES



	%
Customers' Deposits	93.6
Borrowings from Central Banks	1.3
Deposits and Similar Accounts from Banks and Financial Institutions	4.0
Bonds and Other Financial Instruments with Fixed Income	1.1



	%
Customers' Deposits	97.5
Borrowings from Central Banks	0.8
Deposits and Similar Accounts from Banks and Financial Institutions	1.7
Bonds and Other Financial Instruments with Fixed Income	-

Interest and similar charges increased by USD 283.1 million, or 25.5%, to reach USD 1,391.9 million in 2018 as compared to USD 1,108.8 million in 2017.

7.1.3 AVERAGE BALANCE SHEET AND INTEREST RATES

An analysis of average interest earning assets shows that governmental debt securities accounted for 10.3% of total average interest earning assets in 2018 decreasing from 14.6% in 2017, and balances with Central Banks increased to 55.4% in 2018 as compared to 43.9% in 2017. The average deposits with banks decreased to 4.3% in 2018 as compared to 5.2% in 2017.

The share of bonds and other financial instruments with fixed income accounted for 6.0% compared to 9.4% a year earlier and the average loans and advances to customers contributed to 24.1% of total average interest earning asset in 2018.

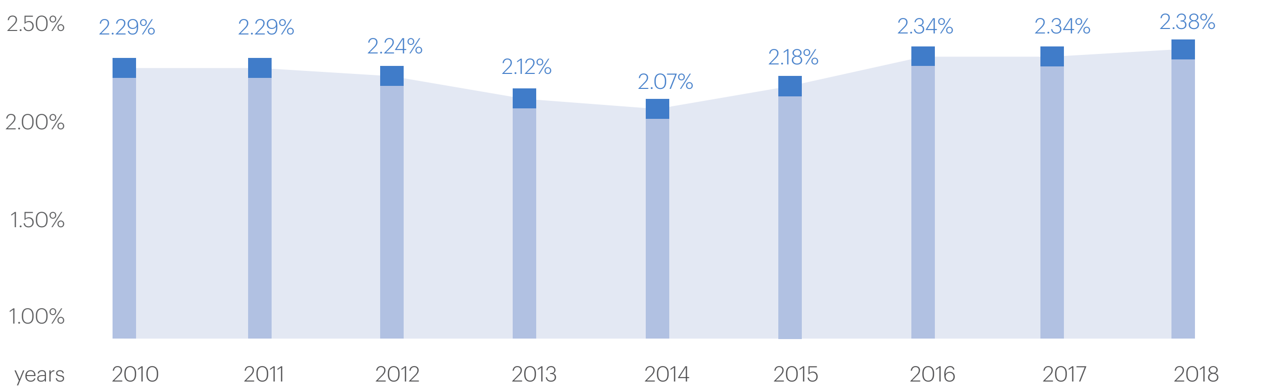
On the other hand, the average interest bearing liabilities went up by USD 3,354 million, or 12.8% to reach USD 29,642 million compared to USD 26,288 million a year earlier.

Deposits from customers including related parties accounted for the largest share of the average interest bearing liabilities at 88.4% in 2018 followed by due to Central Banks at 10.0%.

	2018			2017		
USD Million	Average Balance	Interest Earned - (Paid)	Average Rate	Average Balance	Interest Earned - (Paid)	Average Rate
Governmental debt securities	3,176	250.8	7.90%	4,025	319.6	7.94%
Due from Central Bank	17,004	1,237.5	7.28%	12,085	786.9	6.51%
Deposits and similar accounts with banks and financial institutions	1,306	58.4	4.47%	1,435	50.4	3.51%
Bonds and other financial assets with fixed income	1,845	101.2	5.49%	2,594	151.8	5.85%
Loans and advances to customers	7,389	587.7	7.95%	7,385	541.4	7.33%
Total *	**30,720**	**2,235.6**	**7.28%**	**27,524**	**1,850.1**	**6.72%**
Customers' Deposits	26,190	(1,302.0)	4.97%	25,479	(1,081.3)	4.24%
Due to Central Banks	2,972	(56.3)	1.89%	604	(9.0)	1.49%
Deposits & similar accounts with banks and financial institutions	268	(17.6)	6.57%	205	(18.5)	9.02%
Bonds & other financial instruments with fixed income	212	(16.0)	7.55%	-	-	-
Total	**29,642**	**(1,391.9)**	**4.70%**	**26,288**	**(1,108.8)**	**4.22%**
Interest Spread			**2.58%**			**2.50%**
Net Interest Margin			**2.38%**			**2.34%**

* Including net interest income from financial assets and liabilities at FVTPL of USD 3.1 million and USD 3.8 million respectively for years 2018 and 2017.

NET INTEREST MARGIN

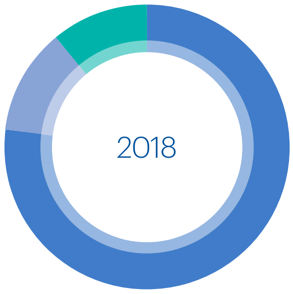


Net interest margin increased from 2.34% in 2017 to 2.38% in 2018.

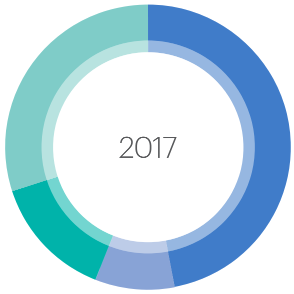
7.2 NON INTEREST INCOME

Non-interest income amounting to USD 186.1 million in 2018 comprised of USD 142.5 million commissions, USD 20.0 million trading income and a USD 23.5 million other operating income.

CONSTITUENTS OF NON-INTEREST INCOME



	%
Net Commissions	76.6
Net Gain/Loss on Financial Assets and Liabilities designated at Fair Value through Profit or Loss	12.3
Other Operating Income	11.1



	%
Net Commissions	47.4
Net Gain/Loss on Financial Assets and Liabilities designated at Fair Value through Profit or Loss	8.8
Net Gain/Loss on Financial Operations	14.0
Other Operating Income	29.8

7.3 TOTAL OPERATING EXPENSES

Total Operating expenses decreased to USD 385.0 million in 2018, compared to USD 408.0 million in 2017. Staff expenses (salaries and related charges) increased by USD 20.3 million, or 9.6%, to reach USD 231.0 million in 2018 while other operating expenses decreased by USD 44.8 million or, 26.0%, to reach USD 127.7 million.

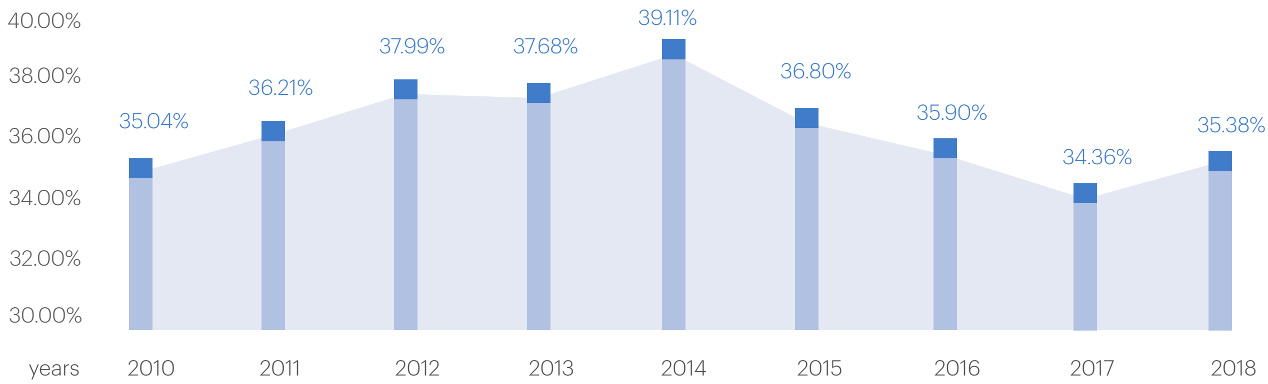
That said, BLOM BANK is still maintaining a relatively low cost-to-income ratio, reflecting the Bank's efficient cost-containment policy and income generating capacity. The cost-to-income ratio recorded 35.38% in 2018 compared to 34.36 % in 2017.

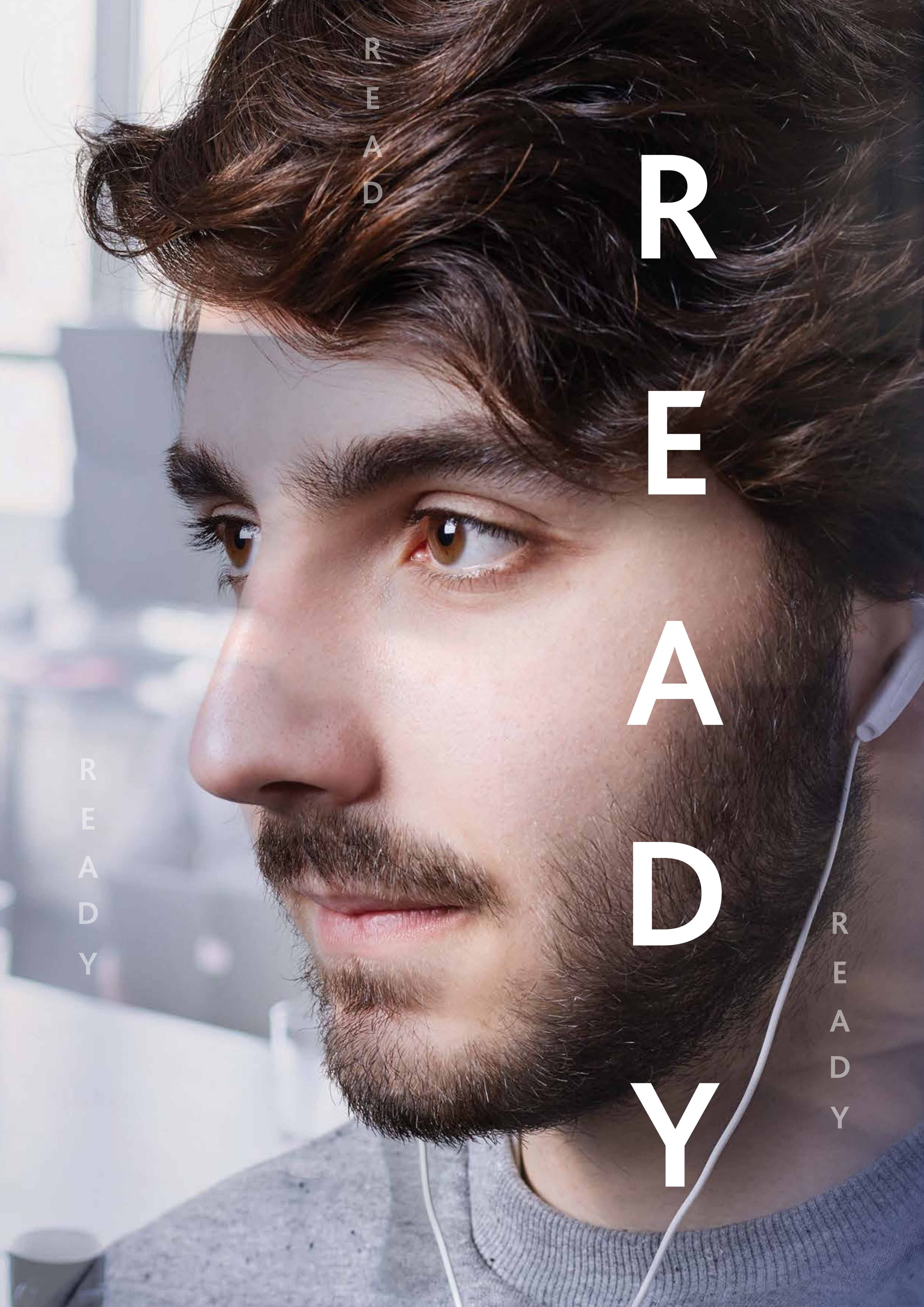
USD Million	2018	2017
Staff expenses	231.0	210.7
Other operating expenses	127.7	172.5
Depreciation and amortization	26.3	24.8
Total operating expenses	**385.0**	**408.0**

	2018	2017
Number of employees*	5,078	5,085
Staff expenses per employee (USD)	45,490	41,436
Operating expenses per employee (USD)	25,148	33,923

** For more details refer to 13.1*

COST TO INCOME RATIO




READ
READY
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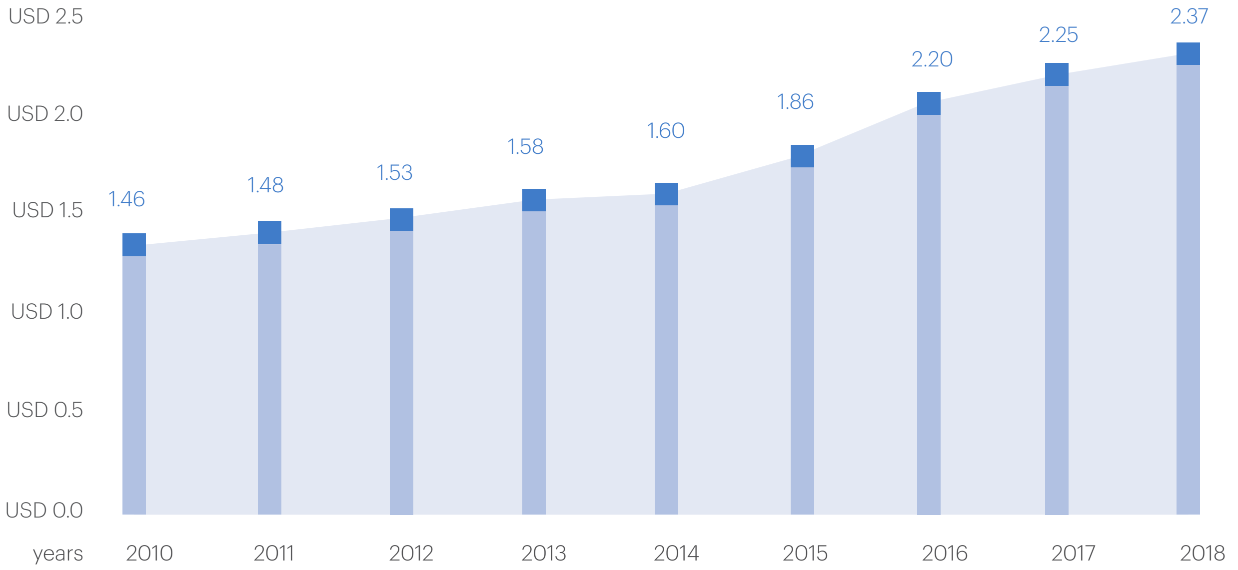
READY


READY
TO SUPPORT THE YOUTH IN GROWING AND FLOURISHING.
READY
READY

8. DIVIDEND DISTRIBUTION

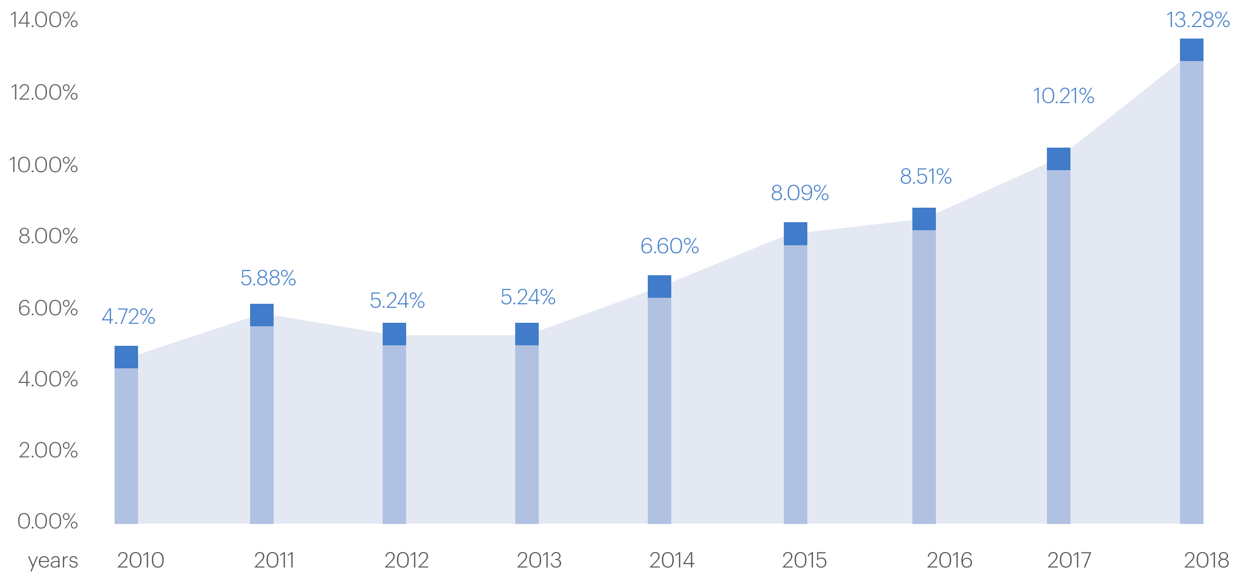
During BLOM BANK's annual general assembly, on April 16 2019, the distribution of dividends for the year 2018 was approved. Holders of common stocks and Global Depositary Receipts (GDR) received the equivalent of LL 1,700 per share. All distributed dividends were subject to a 10% tax.

EARNINGS PER SHARE



Earnings per share kept its steady increase to reach its highest at USD 2.37 per share in 2018.

DIVIDEND YIELD



Given the high dividend per share paid to BLOM BANK's shareholders and the attractive price at which BLOM BANK's share was traded at end of 2018, dividend yield reached 13.3% in 2018, the highest since year 2007.

9. RISK MANAGEMENT AND BASEL PREPARATIONS

9.1 RISK MANAGEMENT PROCESS

BLOM BANK is exposed to different risks stemming from normal business activities. Policies and procedures covering all types of risks have been implemented and updated regularly to ensure they take full account of the Bank's risk appetite and cover regulatory and internal guidelines while recognizing best practice methods. Appropriate limits are set within the different policies and monitored by the corresponding business lines.

The Bank's capital position is closely monitored by General Management and Group Risk Management. The latter is delegated by the Board of Directors to ensure sound, comprehensive and effective Risk Management practices and processes are in place throughout the Group.

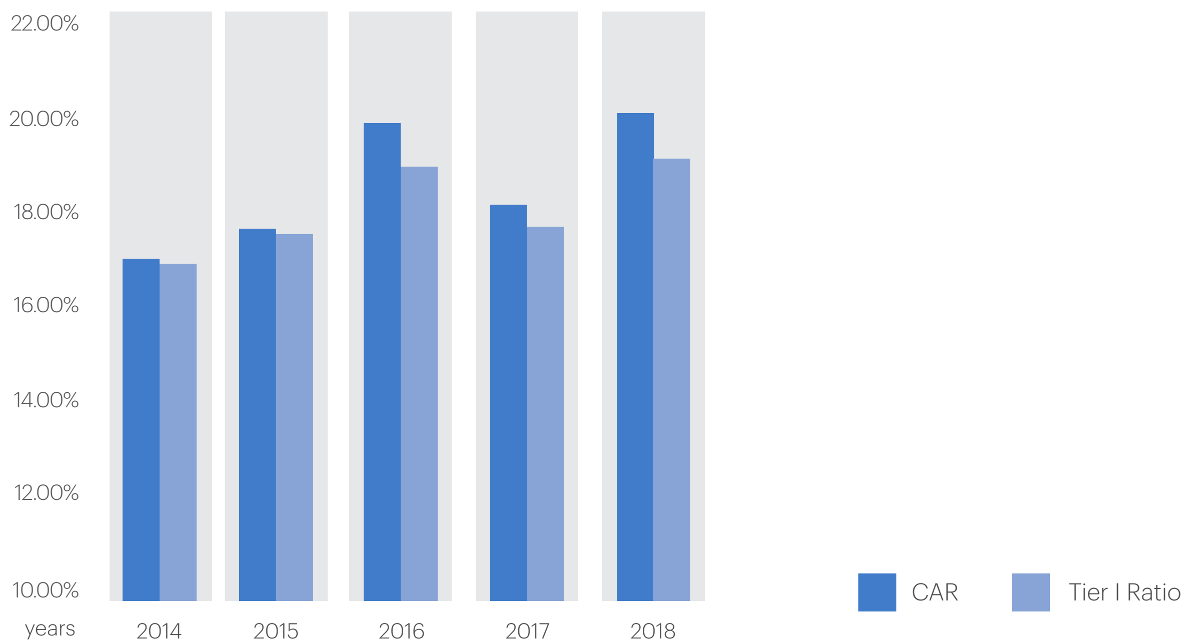
Furthermore, Group Risk Management has implemented a Risk Management Structure within the Group whereby the Bank's subsidiaries have their own Risk Managers that report to the Group Chief Risk Officer. Currently, there are eight country Risk Managers.

The major risks the Bank is exposed to are credit, market, liquidity and operational risks. Accordingly the Credit Risk Management, Market Risk Management, Operational Risk Management and Middle Office Departments monitor and manage the mentioned risks and report to the Group Chief Risk Officer. For his part, the Group Chief Risk Officer reports directly to the Chairman-General Manager and also interacts with the Executive Management through committees such as the Asset Liability Management Committee and the Credit Committee, as well as reports to the Board of Directors through the Board Risk Management Committee.

9.2 CAPITAL ADEQUACY RATIO

The consolidated Basel III Capital Adequacy ratio of the Group reached 20.07% by the end of 2018 against 18.14% in 2017.

BLOM BANK GROUP CAPITAL ADEQUACY RATIO/TIER I RATIO



Lebanese banks are required to abide by the minimum set limits for the following three capital adequacy ratios by end of 2018:

Ratio	BLOM Ratio (as at end of 2018)	BCCL Minimum Limit (by end of 2018)	Basel III Minimum Limit (including capital conservation buffer of 2.5%) (by end of 2019)
Net Common Equity Tier 1 / Total Risk Weighted Assets	19.12%	10%	7%
Tier 1 / Total Risk Weighted Assets	19.13%	13%	8.5%
Total Capital Funds / Total Risk Weighted Assets	20.07%	15%	10.5%

BLOM consolidated CAR ratios are clearly above the regulatory requirements.

Those ratios are calculated in accordance with the Standardized Approach for Credit Risk, the Basic Indicator Approach for Operational Risk and the Standardized Approach for Market Risk and taking into consideration related memos issued by the Banking Control Commission of Lebanon (BCCL).

The Capital Adequacy Ratio evolution over the past 3 years is as follows:

BLOM Ratio	2018	2017	2016
Net Common Equity Tier 1 / Total Risk Weighted Assets	19.12%	17.72%	17.52%
Tier 1 / Total Risk Weighted Assets	19.13%	17.73%	18.97%
Total Capital Funds / Total Risk Weighted Assets	20.07%	18.14%	19.85%

As at December 2018, BLOM BANK's risk weighted assets are broken down as follows:

Risk Type LL Million	Risk Weighted Assets	% of Total Risk Weighted Assets
Credit Risk	19,753,164	84.46%
Market Risk	994,245	4.25%
Operational Risk	2,640,523	11.29%
Total	**23,387,932**	**100%**

BLOM BANK's capital funds at the end of December 2018 as per Basel III are broken down as follows:

LL Million	2018	2017
Common Equity Tier I Capital	4,513,993	4,112,401
Common Equity Tier I Capital Deductions	(42,679)	(101,884)
Net Common Equity Tier I Capital	4,471,314	4,010,517
Additional Tier I Capital	2,887	2,908
Tier I Capital	**4,474,202**	**4,013,425**
Tier II Capital	**220,549**	**94,071**
Total Capital Funds	**4,694,751**	**4,107,496**

For regulatory as well as internal purposes, the Bank calculates the Basel Capital Adequacy Ratio on a group consolidated basis and by individual legal entity, allowing for close monitoring of the capital position of each banking subsidiary. In the latter case, every single entity achieved a Basel III Capital Adequacy Ratio above the minimum 8% international requirement (excluding capital conservation buffer).

9.3 CREDIT RISK MANAGEMENT

The major component of Credit Risk Weighted Assets is Central Bank placements and Certificates of Deposits which represents 47.47% of total Credit RWAs. Corporate and SME represent 19.64% of total Credit RWAs while commercial real estate share is 6.09%. The Retail portfolio including housing loans reached 11.65% of Credit RWAs.

The Bank holds government paper in its Lebanese, Egyptian and Jordanian operations. Government paper comprises 2.65% of total Credit RWAs.

The Bank is producing internal ratings through Moody's RA for its entire commercial loan portfolio.

Moreover, for the retail loan portfolio Retail Application Scorecards are in place to adequately score each application and consequently decide on the approval of such application. Retail Behavioral scorecards are under implementation.

Clients' exposures are continuously monitored for early detection of any sign of deterioration in credit quality. Moreover, the Bank loan portfolio is periodically monitored through statistical analysis and reports showing exposures versus limits as well as the concentration by economic sector, group of borrower, countries of operation and other parameters.

The non-performing loans of the Bank are managed closely with Gross NPL Ratio of 4.48% and Net NPL Ratio of 1.08% as at end of year 2018. The total loan portfolio ECL allowances for all stages for end of year 2018 is USD 318.7 million, of which USD 257.8 million are ECL allowances for stage 3 and USD 60.9 million is ECL allowances for stages 1 and 2.

In 2018, the increase of 3.64% in Credit RWAs is mainly due to the increase of sovereign exposure, practically Lebanese Central Bank. BLOM BANK FRANCE still constitutes the Bank's largest entity after Lebanon. BLOM BANK FRANCE saw its shares of total loans reach 12.56% in 2018 compared to 10.58% in 2017.

Evolution of Credit Risk Weighted Assets over the past 3 years:

LL Million	2018	2017	2016
Credit RWAs	19,753,164	19,059,611	17,658,520
Total RWAs	23,387,932	22,637,834	20,853,199
Percentage (%)	84.46%	84.19%	84.68%

9.4 MARKET RISK

9.4.1 MARKET CAPITAL CHARGE

BLOM BANK calculates the market risk weighted assets based on the Standardized Approach. The risks to which the Bank is exposed to under market risk are interest rate risk, equity risk and foreign exchange risk.

- The Interest rate risk measures the risk of holding interest rate related instruments in the trading book. The capital charge for the specific risk should cover the risk of a change in the price of a security that is due to factors specific to the issuer of the security. While the capital charge for general market risk should cover the risk of loss arising from changes in market interest rates.

- The Equity risk covers the risk of holding equity positions in the trading book. The minimum capital charge for equity positions bears a specific charge for holding a position in a specific equity, and a general charge for holding a position in the market as a whole.

- Foreign exchange risk defines the minimum capital charge that covers the risk of holding positions in foreign currencies.

The market risk charge for BLOM BANK is quite modest as the Bank has a relatively limited trading book. This is a deliberate policy on the part of the Bank to avoid assuming unnecessary risk and to ensure solidity in its capital and liquidity positions.

The regulatory capital requirements for market risk as at end of December 2018 are broken down as follows:

Market Risk Type LL Million	Risk Weighted Assets	Capital Requirements
Interest Rate Risk	76,534	6,123
Equity Risk	599,113	47,929
Foreign Exchange Risk	318,598	25,488
Total	**994,245**	**79,540**

Evolution of Market Risk Weighted Assets as percentage of Total Risk Weighted Assets over the past 3 years:

LL Million	2018	2017	2016
Market RWAs	994,245	1,102,302	832,533
Total RWAs	23,387,932	22,637,834	20,853,199
Percentage (%)	4.25%	4.87%	3.99%

9.4.2 MARKET RISK MANAGEMENT

The Market Risk Department monitors limits set within market risk policies that are approved by the Board of Directors in line with the Bank's risk appetite. The Market Risk Department has the responsibility of identifying, measuring and reporting market risks to the management. The Sungard Focus ALM system with its analytics as well as scenario generating capabilities enables the Bank to closely monitor liquidity and interest rate risks by generating detailed Interest Rate Sensitivity Gaps, Earnings at Risk, Cash-flow balance sheets, Interest Rate Shocks and Foreign Exchange fluctuation scenarios.

The Market Risk Department closely monitors the Bank's funding and liquidity position and performs various stress tests to take into account changes in the operating environment in Lebanon and the region.

9.5 OPERATIONAL RISK

The Operational Risk Department of Group Risk Management ensures that all activities are covered by clear policies and procedures taking into account all relevant risk aspects which are highlighted through risk and control self- assessments of all business and operational activities. The Bank maintains detailed Loss Incidents Database reflecting Basel requirements whereby business lines and loss event types are clearly highlighted. The Operational Risk Department employs the Wolters Kluwer OneSumX for operational risk in the conduct of its work. Moreover, the Operational Risk Department prepared a new more comprehensive Business Continuity Plan that covers potential emergency scenarios and ensures that Business Continuity policies are in conformity with best practices.

Capital funds specific to cover operational risks in the calculation of capital adequacy ratio are determined according to the Basic Indicator Approach. Under the Basic Indicator Approach, the Bank holds capital for operational risk equal to the average over the previous three years of a fixed percentage (15%) of a positive annual gross income.
Gross Income is calculated by taking the average of the positive annual gross income over the past three years. Figures for any year in which annual gross income is negative or zero should be excluded from both the numerator and denominator when calculating the average.

Gross income is defined in accordance with Basel standards as net interest income plus net non-interest income.

Further, this measure should:

- Be gross of any provisions (e.g. for unpaid interest)
- Be gross of operating expenses, including fees paid to outsourcing service providers
- Exclude realized profits/losses from the sale of securities in the banking book and
- Exclude extraordinary or irregular items as well as income derived from insurance

Evolution of Operational Risk Weighted Assets as percentage of Total Risk Weighted Assets over the past 3 years:

LL Million	2018	2017	2016
Operational RWAs	2,640,523	2,475,921	2,362,146
Total RWAs	23,387,932	22,637,834	20,853,199
Percentage (%)	11.29%	10.94%	11.33%

9.6 LIQUIDITY RISK

Liquidity refers to the condition where the Bank has ability to fund on an on-going basis, any decreases in its liabilities or increases in its assets by either obtaining new liabilities or selling or leveraging on existing assets. Liquidity management in the Bank aims to enable the Bank to adequately fund its business activities both in normal and stressed market conditions. The Bank places importance on maintaining high liquidity to meet short term needs, as well as sustaining a stable deposits base. The Bank manages liquidity in line with regulatory requirements, Basel committee directives and best practices.

The Bank in the process of monitoring its liquidity status has established early warning indicators that could warn it of impending liquidity problems. Should such a situation occur, a contingency funding plan is put in place in order to restore the status quo as soon as possible, while at the same time avoid any unnecessary measures that could aggravate the problem and lead to contagion of the wider market.

The Bank has a variety of liquidity measures that are regularly monitored and include limits on maturity gaps and ratios covering the concentration of deposits base, the availability and concentration of liquid assets. The Bank places a great deal of emphasis on ensuring a solid funding base. In its home market, this translates into a heavy weighting of retail deposits which have traditionally been characterized by high stability in terms of customer loyalty and therefore high roll-over rates. The loans to deposits ratio was stable at 26.3% at end of December 2018 indicating a conservative liquid asset deployment strategy.
The two minimum standards for funding liquidity that were developed by the Basel Committee on Banking Supervision (BCBS), the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), are measured for the Bank's different entities.

For Lebanon the Basel calculation of the LCR results in a particularly high level, exceeding by far the Basel minimum limit. An internal measure of the LCR is set and monitored regularly.

Liquidity stress tests are periodically conducted in order to assess to which level the set Liquidity Contingency Plan is capable of handling various liquidity crisis scenarios.

9.7 INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk is the risk where changes in market interest rates might adversely affect the Bank's financial conditions through its impact on Net Interest Income (NII) in the short term and its impact on the economic value of the Bank's assets, liabilities and off-balance sheet positions in the long term.

The impact of a 2% sudden interest rate shock across all currencies for the group would result in a reduction of 30.15% of 2018 Net Interest Income. BLOM BANK Lebanon constitutes the biggest portion of the Group's balance sheet. In Lebanon a structural gap is inevitable due to short term contractual maturity of deposits even though empirically their behavioral maturities are much longer. Should such a shock be realized, which is highly unlikely, the Central Bank has a variety of tools at its disposal which would alleviate the results of such an outcome.

9.8 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The ICAAP of BLOM BANK is driven by the Board of Directors (BOD) through the Board Risk Management Committee (BRMC) and the Group Chief Risk Officer (GCRO). The Group Risk Management Division (GRMD) calculates the capital adequacy levels (both regulatory and internal) based on the Bank's risk profile and reports it through the Group CRO to General Management, BRMC and the BOD.

The purpose and objective of the ICAAP is to ensure that the methodology to calculate the internal capital requirements takes into account all the material risks faced by the Bank and is reflective of the actual risk profile of the Bank.

The ICAAP considers all risks faced by the Bank, mainly: Pillar I risks (credit risk, market risk, operational risk), risks not captured under Pillar I but elaborated under Pillar II (credit concentration risk, interest rate risk in the banking book, liquidity risk, reputation risk, strategic risk), risk factors external to the institution, non-banking risks (sovereign risk).

The approach followed in undertaking the ICAAP covers both qualitative and quantitative assessments of risks and controls. The qualitative aspect addresses the adequacy of risk governance in all of BLOM BANK Group entities. The quantitative aspect relates to the financial modeling done to calculate capital requirements. As part of the quantitative aspect, GRMD also conducts stress testing of the future business projections to assess the adequacy of capital and liquidity under adverse conditions.

The ICAAP takes into account forward-looking factors such as the Bank's strategic plans and conceivable external changes.

The Bank has in place a strategic plan that clearly delineates its near-and-longer term capital needs, capital expenditures required for the foreseeable future, target capital levels, and external capital sources, if needed. The ICAAP model is developed over these business projections to calculate projected capital requirements under normal as well as stressed scenarios.

In addition, the Bank performs rigorous and forward-looking stress tests that identify plausible severe events or adverse changes in market conditions, and assess their impact on the Bank's capital adequacy. In case a stress event/scenario is identified which may severely affect the capital adequacy and liquidity of the Bank, General Management decides an appropriate corrective/remedial action to be taken under such an event/scenario to restore/bring back the capital adequacy and liquidity of the Bank to acceptable levels within the Bank's risk appetite limits.

Stress tests applied cover the different types of risks the Bank is or might be exposed to. To name a few, for credit risk, for example, one of the stress tests is a deterioration in the credit portfolio asset quality; for market risk, decline in equity market; for operational risk, occurrence of a major loss event; for liquidity risk, percentage of funding is withdrawn; for interest rate risk, shift in yield curve; for strategic risk, poor performance of a certain number of branches.

Stress tests vary in their impact following a three-level scale: mild (being the lowest), medium and severe (being the highest). Stress tests are applied as individual stress events and as a scenario (combination of stress events).

Based on the Bank's internal model and methodologies, capital needed under the Internal Capital Adequacy Process includes capital to cover credit, market, operational, liquidity, interest rate risk, concentration, systemic and other risks (i.e. strategic, reputational..) and capital to cover the qualitative assessment of the various risks. In addition, it also encompasses a capital buffer that the Bank calculates to serve as a cushion in case of a stressful situation. With all the aforementioned, BLOM BANK on a consolidated level has a high quality and adequate level of capital.

For instance, it had an expected capital surplus, after accounting for Pillar I risks (credit, market and operational), Pillar II risks (concentration, interest rate risk in the banking book, liquidity, systemic and other risks and qualitative side of risks...) as well as a stress buffer, of around 52% to total required capital under the internal assessment methods adopted by the Bank for the year-end 2018.

The Bank develops a comprehensive ICAAP document concerned with managing and forecasting capital requirements across the Group and is submitted to the Banking Control Commission of Lebanon.

The Bank also documents its risk appetite statement, detailing the following aspects: risk profile and materiality of risks faced, risk appetite objectives, risk appetite framework and risk appetite metrics along with their thresholds. BLOM BANK risk appetite statement constitutes both quantitative and qualitative parameters. It is elaborated at each entity level as well as on a consolidated level.

The whole ICAAP process is governed by an ICAAP policy that the Bank has developed that aims at ensuring an integrated view of all aspects related to ICAAP process and its management, as well as providing guidelines for its effective implementation by the Bank; and its role in the overall process of management of all risks the Bank is exposed to in its operations.

The ICAAP exercise is updated on a yearly basis and significant changes are reported to the Bank's General Management and Board Risk Management Committee. For instance, the Bank is currently updating its ICAAP Model based on December 2018 figures and expects a reinforcement of its current position reflected in a sufficiently high capital adequacy able to support continued and sustained growth in operations.

The Bank's capital management philosophy is aimed at maintaining an optimum level of capital and liquidity to enable it to pursue strategies that build long-term shareholder value, while maintaining adequate capital and sufficient liquidity levels.

10. CORPORATE GOVERNANCE

BLOM BANK's Corporate Governance Code was approved at the end of 2007 by the Board of Directors and most recently updated in December 2018. The Corporate Governance Code, its appendices as well as the related policies were updated, approved by the Board of Directors and published on the Bank's Website.

BLOM BANK continued in 2018 to promote good corporate governance practices and to implement solid corporate governance standards in its portfolio of regional investments to mitigate financial risks and protect its shareholders' rights, knowing that BLOM BANK was the first bank in Lebanon to sign the Investors for Governance and Integrity (IGI) Declaration and to commit to implement the Governance and Integrity Rating (GIR) guidelines and recommendations into its own ownership policies and practices, and work to further the advancement of good corporate governance practices thus contributing to the safety of the financial environment in Lebanon.

According to the 2017 Governance and Integrity Ratings (GIR) report on Online Transparency and Disclosure published by Capital Concept's Shareholder-Rights (Shareholders-Rights by Capital Concept is an independent provider of research and ratings on corporate governance affecting the performance of public and private companies), BLOM BANK received an "A" grade, the highest among all listed banks and companies on the Beirut Stock Exchange. The Bank falls within the "excellent" range according to the Shareholders-Rights' Grading System leading the way in transparency, accountability and integrity. BLOM BANK succeeded in positioning itself as a role model among its peers. It excelled in its disclosure on two crucial principles, embedding an effective corporate governance program and protecting shareholders' rights. There was no update of this report in 2018.

In order to provide a new way to brush-up management techniques, nurture management leadership and anchor commitment and accountability to the business, a boot camp for top management was organized in 2018. The program offered different modules and activities that included a combination of outdoor activities and games as well as indoor experimental workshops designed to build personal capabilities and to develop management and leadership skills.

An off-site retreat was organized in 2018 for Board members and senior management to discuss the major operations of the Bank and their outlook in the coming period.

As part of its continuous commitment to enhance its governance practices, as well as being a reflection of its strategy to enhance its digital operations, the Board of Directors of BLOM BANK established a new Board Committee: the "Board Digital Committee" and a new management Committee: the "Recovery Plan Committee". The Board Digital Committee includes independent and executive members of the Board and other senior executives of the Bank.

The Board of Directors exercises its oversight function to a large degree through six dedicated Board Committees: the Board Audit Committee, the Board Risk Management Committee, the Board Consulting Strategy and Corporate Governance Committee, the Board Nomination and Remuneration Committee, the Board Compliance Committee and the Board Digital Committee. The Charters of the six Board Committees are published on the Bank's Website. Other details related to the Board Committees' meetings are also available on the Bank's Website. The Board Committees are fully functional and meet in accordance with their stipulated frequency.

The Board Audit Committee's responsibility is to monitor and assess the integrity of the Bank's financial accounting. Among other duties and responsibilities, the Board Audit Committee also assesses the competence of External Auditors as well as the Group Internal Audit Division, in addition to internal controls and compliance with the Bank's by-laws and internal regulations.

The Board Risk Management Committee mainly reviews periodically and evaluates the Risk Management function of the Group, reviews the adequacy of the Bank's capital and its allocation within the Group, recommends to the Board the parameters of BLOM BANK's risk management strategy, monitors the risk profile and oversees inherent risks, reviews the risk limits and reports and makes recommendations to the Board.

The Board Consulting Strategy and Corporate Governance Committee mainly oversees the development of the strategic plan and monitors its progress throughout the Group. It approves and monitors large projects, develops corporate governance policies and practices, and advises the Board on overall business development. It is also responsible for assessing, making recommendations on and approving the Bank's vision, mission and values, its goals, programs, annual and long term budget and business plan for eventual submission for approval by the Board of Directors.

The Board Nomination and Remuneration Committee mainly provides assistance to the Board in identifying individuals qualified for directorship, nominating competent Board Committees' members and recommending nominees to the Board of Directors, establishing a succession plan for Board members as well as General Managers, setting remuneration standards for the Bank's Top management in BLOM BANK sal and its local subsidiaries in Lebanon and submitting these standards to the Board of Directors, assessing the performance of Top Management and Board of Directors, preparing and submitting the Remuneration Policy and the Remuneration System to the Board of Directors for its approval, supervising the proper implementation of the Remuneration Policy, performing a periodic review of the rules/principles based on which the Remuneration Policy is implemented and submitting recommendations to the Board of Directors for amending and updating the Policy.

The Board Compliance Committee mainly provides assistance to the Board by performing the following duties: In terms of AML/CFT: (1) Assessing the procedures guide on the implementation of the AML/CFT Law and the present regulations. (2) Assessing and verifying the proper implementation and effectiveness of AML/CFT procedures and regulations. (3) Assessing and reviewing the reports received from the concerned departments and branches about suspicious activities as well as assessing and reviewing the investigation results of suspicious transactions and activities... In terms of Legal Compliance: (1) Reviewing the adequacy of the procedures adopted by the Bank to detect any violation or breach. (2) Ensuring that compliance procedures, systems and controls are being evaluated. (3) Ensuring that the required corrective measures are applied upon the detection of any violation resulting from non-compliance. (4) Ensuring that compliance procedures, systems and controls are being evaluated. (5) Reviewing and assessing compliance visit reports conducted to BLOM Group entities.

The Board Digital Committee provides assistance to the Board by performing the following duties: (1) Review the Bank's Digital Banking strategy, its vision, mission and values, its goals, programs, annual and long term budget and business plan. (2) Assess, measure and plan the Bank's Digital Banking strategic milestones specifically: Customer experience, sales through Digital Channels, the role of branches. (3) Review and discuss reports and presentations from management concerning the strategic direction of the Bank in developing and implementing Digital Banking as well as the general methods, guidelines and policies by which the Bank monitors and controls Digital Banking risk and provide advice to the management and the Board, as appropriate, with respect to issues raised. (4) Present Fintech-related ideas, suggestions and contacts that may add value to the Bank. (5) Keep abreast of the latest regulatory requirements, trends and guidance in Digital Banking and update the Board on corporate governance issues as necessary.

In 2018, the Board of Directors approved a new policy - the "Sustainability Policy". The Sustainability Policy sets the guiding principles for how BLOM BANK ensures long-term sustainability of its operations and by doing so increases the value it creates for customers, shareholders, employees, the society and the environment. BLOM BANK's long term success is based on trust and confidence. Sustainable business is a prerequisite to uphold this trust and to attain the "Peace of Mind" slogan the Bank promotes. The policy aims to support BLOM BANK and its employees in performing their work and decision-making.

The Bank firmly believes in the basic principles of accountability, reporting and transparency throughout the organizational structure. Senior Management exercises the authority delegated to it by the Board through clear and segregated reporting channels, including Management Committees covering all areas of operations. Senior Management also ensures that internal risk and control procedures and structures are overseen by the Group Internal Audit Division, the Group Risk Management Division and the Group Compliance Division.
In order to ensure continuous enhancement of the risk and control framework, BLOM BANK has put in place a Recovery Plan that was approved by the Board of Directors in 2018. The Recovery Plan prepares the Bank to restore its financial strength and viability during an extreme stress situation. The Recovery Plan's more specific purpose is to outline how the Bank can respond to a financial stress situation that would significantly impact its capital or liquidity position. Therefore it lays out a set of defined actions aimed to protect the Bank, its customers and prevent a potentially more costly resolution event. The Recovery Plan is intended to enable the Bank to effectively monitor, escalate, plan and execute recovery actions in the event of a crisis situation.

To strengthen the Board's oversight function of management, the independent and non-executive Board members meet at least once a year independently from Management and other executive Board members and outside the framework of Board Committees to discuss the various operations and the overall situation of the Bank.

In September 2018, the independent Board members held a meeting and elected among themselves a director to serve as "Lead Director" for one year. The Lead Director was appointed by the Board of Directors as a member of the Board Consulting, Strategy and Corporate Governance Committee. The Lead Director is annually elected by independent Directors and is responsible for leading the Board's independent Directors to engagement and consensus, ensuring that independent consensus is heard and implemented. The Lead Director coordinates the activities of the other independent directors, and performs such other duties and responsibilities as the independent directors may determine. He also assists the Board in discharging its duties, responsibilities and obligations independently of Management.

In order to assess its areas of strengths and weaknesses, and improve the efficiency and effectiveness of its decision making, the Board of Directors undertakes an annual evaluation of its performance. Board members fill a questionnaire to evaluate the global performance of the Board. Questions focus on topics like: Board Structure and Committees, Board Meetings and Procedures, Strategy Formulation & Effectiveness, Relationship with Management, Board of Directors' Functions, Succession Planning and Training, Corporate Governance Compliance. The Board can then discuss the outcome of the evaluation in a constructive manner and focus on ways to improve itself. The same exercise is also conducted by the Directors to evaluate the performance of the Board Chairman.

In order to evaluate the effectiveness of the CEO, the Board of Directors undertakes an annual evaluation of his performance. The CEO as the leading member of Top Management is evaluated on an annual basis by way of questionnaire filled by members of the Board on the basis of various criteria covering: Leadership and Managerial qualities, Communication, Strategy Formulation, Strategy Execution, Judgment and Sensitivity, Financial Planning/ Performance, Relationship with the Board, External Relations, Human Resources Management Relations, Operations Management, Corporate Governance Compliance, Product/ Service Knowledge and Personal Qualities. The outcome of the evaluation will be disclosed to members by the Corporate Secretary.

In order to evaluate the areas of strengths and weaknesses, and improve the efficiency and effectiveness of the Board Committees' work, members of all Board Committees undertake an annual evaluation of the work of their respective Committees. Committee members fill a questionnaire to evaluate the global performance of the Board Committee. Questions focus on topics like: Committee Structure and Organization, Committee meetings, Committee work, evaluation of the Chairman of the Committee. The outcome of the evaluation will be disclosed to members by the Committee Secretary.

In order to assess the performance of the General Managers, an annual evaluation of their performance shall be conducted by the Chairman–General Manager. The results shall be presented to the Board Nomination and Remuneration Committee through the Secretary of the Board also acting as secretary of the Board Nomination and Remuneration Committee.

The Corporate Secretary, appointed by the Board of Directors, is responsible for updating the Bank's Code of Corporate Governance and its appendices: the Board Committees' Charters and the Disclosure Policy in compliance with regulations and updates and the international best practices requirements, and ensuring that these changes are approved by the Chairman – General Manager and then approved and signed off by the Board Consulting, Strategy and Corporate Governance Committee and then by the Bank's Board of Directors as well as ensuring the proper implementation of the Code at all levels and the compliance of the Bank with its Code.
The Corporate Secretary is also responsible to perform several others tasks stated in the Corporate Secretary Charter and the Corporate Governance Code. The Corporate Secretary acts as the Secretary of the Board of Directors and as Secretary for the Board Consulting Strategy and Corporate Governance Committee as well as for the Board Nomination and Remuneration Committee.

The Remuneration Policy covers all categories of remunerations and their granting conditions in order to contribute to the enhancement of the Bank's general long-term performance from both a financial and non-financial standpoint and to achieve the purpose for which those remunerations were granted.

The remunerations of all Bank employees can comprise fixed and variable components (cash revenues and other non-monetary incentives). These components are determined based on the different business specifications of the Bank and its scope of work as well as the nature of work of the employees, their levels and their responsibilities. The overall granted remunerations should not affect the financial position of the Bank, its interests, its current or future capacities (in the medium and long terms), its liquidity, its reputation as well as its capital adequacy. The Remuneration Policy is published on the Bank's Website.
The remuneration of all employees should be based on their performance evaluation. In order to evaluate the performance of all employees in an objective and transparent manner, the written performance appraisal guidelines and the performance appraisal forms should include at least the following elements:

- The employee's commitment to the Risk Management policies and procedures.
- The risks associated with the operations performed by the employee.
- The total revenues or profits generated by the employee for the Bank, if applicable.
- The evaluation of the employee's individual contribution to the Bank's overall performance, if possible.
- Other elements according to the nature of the work.

In order to face the challenges of replacing existing managers and adding new managerial staff to support the expansion of the Bank locally and abroad, BLOM BANK has established a Succession Plan to provide continuity in leadership and to avoid extended and costly vacancies in key positions. The Succession Planning Policy aims to help the Bank prepare for planned or unplanned, temporary or permanent change in leadership. This will be done by clarifying authority and decision-making thereby maintaining accountability and sustaining stability. The Policy relates to the members of the Board of Directors, the members of Committees, the Senior Executives and the Line Managers, and defines the maximum number of directorship years for independent directors.

The Bank makes sure that all employees act professionally, ethically and with the utmost integrity in accordance with an established Fraud Policy and Code of Conduct. The Fraud Policy and Code of Conduct was recently updated and published on the Bank's Website. Additionally, the Bank recognizes the value of its Human Resources as a prime stakeholder in the institution, endeavoring to treat all employees in the most equitable manner.

The Human Resources Division has drawn-up a procedure for compliance with the Code of Conduct including the organization of training on annual basis. Presentations are given to employees to facilitate their understanding as well as raise their awareness of good corporate governance. These presentations are conducted at entry level and at least every two years to representatives of all branches and business units.

The Bank will continue to develop its Corporate Governance practices as well as its governance structure in line with the latest regulatory requirements and international best practices while seeking to protect minority shareholders' rights and enhance stakeholders' interests from shareholders to employees.

11. UNIVERSAL BANKING SERVICES

In line with its aim of maximizing customer satisfaction and increasing shareholders' value, BLOM BANK has adopted the policy of diversification of its products and services. BLOM BANK provides the following universal banking services that suit all customers' needs:

- BLOMINVEST BANK Services
- Commercial and Corporate Banking
- Retail Banking
- Islamic Banking
- Insurance Products and Services
- Asset Management Services

11.1 BLOMINVEST BANK SERVICES

BLOMINVEST BANK, BLOM BANK's investment arm, is one of few institutions within the greater Levant region that offer investment banking, private banking, structured products, brokerage and custody services in addition to research and publications under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment bank. (Refer to page 42)

Investment Banking Services

A team of investment banking experts offers equity and debt capital markets advisory services to the private and public sector in terms of capital raising, mergers and acquisitions advisory across the region.
Our financial advisory expertise, coupled with our exposure to businesses across most industries and our regional presence, allow us to offer adequate capital and financing structures with a unique reach to private and institutional investors through our group network.

Private Banking Services

A dedicated team of private bankers optimize the wealth management and financial advisory experience for clients by offering them personalized asset allocation and tailor made investment instruments that are in line with their risk profile and across an open architecture platform of diverse asset classes.

Advisory and Structured Products

A team of structured products advisors innovates bespoke investment solutions that offer superior yielding propositions to clients.

Brokerage Services

A team of skilled traders extend competitive and around the clock execution on global capital markets from fixed income instruments to equities to derivatives to currencies and precious metals with active market making capabilities.

Custody Services

The implementation of a Global Custody security model coupled with advanced automation streamlining allow us to offer state of the art services to private and institutional clients.

Research Services

A team of economists and analysts provide value added research and equity coverage across the MENA region by systematically publishing economic and financial information including indices as well as conducting equity analysis on leading regional institutions.

11.2 COMMERCIAL AND CORPORATE BANKING

During 2018, the economic growth in Lebanon slowed down due to political paralysis and instability in the region. In light of these factors BLOM BANK adopted tight practices to mitigate the increase in credit risk by closely monitoring its portfolio and taking preventive measures to minimize the default and delinquencies while still serving the needs of its clients and maintaining excellent relationship with them.

On the other hand, the acquisition of HSBC assets and liabilities in 2017 widened BLOM's corporate base and enhanced the trade transactions by introducing new products at competitive prices. For this purpose, BLOM BANK collaborated with correspondent banks to secure necessary funds at low prices in order to finance the import and export operations.

In parallel, BLOM BANK maintained its partnership with Arab Trade Finance Program and continued to provide financing at low prices to clients that trade in Arab countries.

Furthermore, BLOM BANK continued to take advantage of the several incentive schemes offered by the Central Bank to develop different sectors of the economy. Of mentioned schemes, an important portion of financing was catered to environmental friendly and energy related operations as well as to support start-up businesses at favorable terms, thus adding towards the Bank's contribution in corporate social responsibility.

BLOM BANK was able to retain its market share in the SME and Corporate Banking with the advantage of its wide geographic presence, branch networks and product varieties. However, the structure of the credit portfolio was aimed to focus on sectors related to Pharmaceutical, FMCG, Oil & Gas, and trading while decreasing exposure in real estate markets.

BLOM BANK sustained its presence in Islamic banking in Lebanon through its wide network by offering preferential Islamic products and services compliant with Islamic Shariaa.

In light of the challenges in the Lebanese market and in order to compensate the draw back in lending, BLOM Group expanded its networks abroad by opening new branches mainly in Egypt to benefit from opportunities that aroused in these growing markets which allowed the Group to increase its overall credit portfolio

11.3 RETAIL BANKING

11.3.1 PRODUCTS AND SERVICES

A shift towards Digital, BLOM BANK has been recognized globally for its outstanding digital achievements throughout 2018, namely revolving about eBLOM online and mobile banking, some of which are:

- Best Consumer Digital Bank for 2018 from Global Finance
- Best in Mobile Banking for 2018 from Global Finance
- Best Mobile Banking App for 2018 from Global Finance
- Most Innovative Digital Bank for 2018 from Global Finance
- Best Retail Bank in Lebanon for 2018 from The Asian Banker

In 2018, BLOM BANK introduced "Tante Wadad" – BLOM BANK's digital banking expert avatar who is showcasing BLOM BANK's digital banking services that are available on eBLOM. The short TVC's have generated a huge buzz amongst the market and range from activating eBLOM, using BLOMPay for everyday purchases, collecting Golden Points/Miles, recharging prepaid lines and many more. Following the success of Tante Wadad's character, more movies will follow in 2019. Additionally, throughout 2018, a dedicated team was deployed amongst all the branches, to help spread awareness and educate existing customers, on how to use the digital channels (eBLOM and ATM) through live demos which significantly increased the number of digital transactions performed. Consequently, our online and mobile banking channel, eBLOM, has been the market leader for several years and has the highest market share in terms of internet banking penetration with a rate of over 31% eBLOM users in 2018.

11.3.1 PAYMENT CARDS

BLOM BANK offers a wide range of payment cards that target different customers, provide different methods of payments and meet different purposes. These cards vary in type and in currency. The segmentation of cards takes into consideration the various types of customers and their card needs; debit, charge, credit and prepaid. As such, BLOM cards range from **Electron, Classic, Gold, Titanium, Platinum, Signature, Infinite and Corporate cards,** in addition to the **BLOM Shabeb card** offered to the youth. BLOM BANK partnered with American Express Middle East to allow BLOM BANK customers to apply for **The American Express® Gold Card and The Platinum Card®, and the exclusive American Express Centurion Card® that will be available by invitation only.**

BLOM BANK implemented the Visa PayWave feature on the BLOM Visa Classic debit and credit cards, whereby BLOM Visa Classic cards will include the EMV chip in addition to the PayWave technology and can now be used to perform contactless payments at points of sale around the world.

In 2017, BLOM BANK announced the launching of its news service BLOMPay, which allows the cardholder of any BLOM VISA card, whether debit or credit to make payments via an android mobile phone with the eBLOM app quickly, safely, and easily. BLOMPay is the first of its kind service in Lebanon and stands out by being available through eBLOM mobile application; consequently the client does not need to install another application. BLOM is currently working on integrating Mastercard cards into BLOMPay, to enable a wider segment and a wider use of the mobile payment solution.

Additionally, BLOM BANK partnered with The Directorate of The General Security to introduce a new service whereby all the General Security centers throughout Lebanon have been equipped with Point of Sale machines. This initiative, the first of its kind in Lebanon was only made possible after overcoming major challenges. This service which is an integral part of the plan to automate the General Security centers, promote administrative development, and improve the workflow aims at facilitating the payment procedure for citizens and residents who can now use their bank cards. All General Security centers throughout Lebanon have been equipped with Point of Sale machines (POS), thus allowing citizens to pay with any Visa or MasterCard issued by BLOM BANK or any other bank in Lebanon or abroad.

Cobranded Cards

Throughout the years BLOM BANK has collaborated with several strategic partners to introduce Cobranded cards amongst the market. Some of which are:

The BLOM Giving Cards

BLOM BANK takes pride in the BLOM Mastercard Giving cards, launched in 2010, one of Lebanon's most innovative affinity cards, a first of its kind program in the world. In collaboration with the Lebanese Mine Action Center, a unit in the Lebanese Army, the BLOM Giving cards assists in the removal of mines and cluster bombs from the Lebanese territories. The program offers a Gold MasterCard or a Titanium MasterCard card, which combine the benefits of a credit card, with the ability to donate to the LMAC, which is in charge of demining the Lebanese territory Donations are made whenever BLOM MasterCard Giving cardholders pay the card's annual fee and whenever they use their cards for purchases or for cash withdrawals.

The BTA Card

Launched in 2013 in partnership with the Beirut Traders Association. The BTA card is a groundbreaking program granting its users unsurpassed exclusive discounts from over 1,000 merchants in Beirut and surrounding areas, making it the largest network of deals in Lebanon. With LeMall joining the program in 2014, cardholders can benefit from 3 points with every USD 1 spent at any of the merchants available at LeMall Dbayeh, Sin El Fil; in addition to 1 point with every USD 1 spent anywhere else in the world. Cardholders can also browse through the largest network of deals in Lebanon with hundreds of offers that they can choose from. Once clients download the application they will receive notifications whenever they are near a participating merchant, and they can also get details and directions to a certain retailor.

UberBLOM Prepaid Card

Among the significant innovative cards that BLOM BANK has launched, we cannot but mention the world's first of its kind UberBLOM Visa prepaid card which was launched in collaboration with Uber in 2015. UberBLOM Visa card was developed exclusively for Uber riders, and can be used for Uber rides in Beirut or any of the 330+ cities Uber is currently present in. All first-time Uber riders who purchase the UberBLOM card will be entitled to enjoy the first 2 rides for free up to USD 10 each.

Beirut Circle Visa Platinum Card

Additionally, BLOM BANK also offers Beirut Circle Visa Platinum Card. Beirut Circle Visa Platinum cardholders receive various "buy 2 for the price of 1" offers when paying with their cards. The card can be used for purchases in Lebanon or abroad with a revolving credit limit. Cardholders will also benefit from the opportunity to accumulate BLOM Golden Points with every USD 1 they spend and redeem them for items of their choice at selected merchant stores.

Fitness Zone Platinum Card

Moreover, BLOM BANK has partnered with Fitness Zone, the leading fitness centers in Lebanon, to introduce Fitness Zone Visa card. This card is the first-of-its kind in CEMEA as it is at the same time the membership card for Fitness Zone through the use of Mifare technology and can be used for purchases around the world.

AROPE SIGNATURE Credit Card

BLOM BANK and AROPE INSURANCE previously developed the all-new and unique in its category for the Insurance sector, AROPE SIGNATURE Credit Card from VISA. AROPE Signature cardholders benefit from exclusive offers associated with the card, in addition to a special double rewards program where cardholders get 4 Golden Points or 2 Golden Miles for every USD 1 spent at AROPE INSURANCE, and 2 Golden Miles or 1 Golden Point for every USD 1 spent elsewhere.

The Alfa BLOM Cards and Touch Visa Cards

In addition to the various cards launched in the previous years, BLOM BANK is proud of the partnerships it has developed along the years with the 2 telecommunications operators in Lebanon Alfa and Touch, granting users free instant talk time on their mobile lines: the Touch Visa cards (Touch Visa Platinum and Touch Visa Gold cards for post-paid Touch line users and the Touch Visa Gold card for pre-paid Touch lines users); the Alfa BLOM cards introduced in 2007 (Alfa BLOM Corporate card, Alfa BLOM Titanium and Alfa BLOM Gold card for post-paid lines users, Alfa BLOM Classic card for pre-paid Alfa lines) in addition to the Contactless Alfa Titanium card.

Khoury Home Visa Card

Additionally, BLOM BANK offers the Khoury Home Visa cards, specially designed for the distinguished customers of Khoury Home, combining the benefits of holding a Visa credit card and the rewards for enrolling in Khoury Home loyalty program. The card offers a repayment method allowing cardholders to settle their purchased item in equal monthly installments.

Moreover, the Bank has a dedicated Internet card, a Platinum Euro card for those who visit Europe frequently, and prepaid cards "mini" for those wishing to have a card without opening an account. BLOM BANK also has "Watan", a card which was launched solely for the Lebanese army, internal security and national security forces.

In addition to the above, BLOM BANK offers the "Personalize your card" service whereby cardholders can add on the front of their card a personal image of their choice or an image from BLOM BANK's Image Library.

11.3.2 RETAIL LOANS

BLOM BANK's customers can take advantage of a number of loans to satisfy their various needs. Loans vary from student loans in cooperation with the American University of Beirut and other institutions; consumer loans in association with a number of leading retailers in Lebanon; solar loans in association with numerous local companies that offer solar system installations. Clients can also apply for a personal loan with Kardi, a car loan with Sayarati, or a housing loan with Darati.

11.3.3 MOBILE APPLICATIONS

eBLOM

eBLOM online banking is the key to a wide range of online banking services to help clients control their accounts, loans and cards from anywhere in the world. Just by getting connected, eBLOM users will be granted real-time access to their accounts, cards and transactions, along with other unique features that are constantly updated listed below:

Access to Accounts

- Check statement of accounts, cards and loans
- Transfer money from/to own accounts at BLOM BANK with foreign exchange
- Add a new beneficiary instantly and transfer money to an account outside BLOM, locally and internationally with foreign exchange
- Check account's IBAN and BLOM BANK's BIC code
- Send cash money via the eCASH service to anyone without the need for a card
- Activating/deactivating the SMS Alerts service and setting thresholds
- Setting nicknames for easier management of the accounts

Cards Management

- Change the safety limit of cards
- Change the internet safety limit of cards
- Hold and release cards

BLOM's Loyalty Program

- Check BLOM Golden Points/Miles balance and the items you can redeem your points for
- Settle your online purchases with your accumulated Golden Points/Miles- eRewards

Additional tailor-made services

- BLOMPay: Fully integrated into eBLOM; allows both debit & credit Visa cardholders to make payments via their Android mobile phones
- Pay institutional and tuition bills
- Request a checkbook
- Monitor the status of your checks deposited for collection
- Recharge any Alfa/touch prepaid line
- Pay any Alfa/touch postpaid monthly bill
- Deposit Wedding Account list gift
- Pay Port of Beirut fees
- Find the nearest BLOM BANK branch, ATM and smart ATM
- Get instant assistance with the Video/Live Chat Support Service

NEXT

The NEXT mobile application combines distinctive options allowing NEXT users to benefit from various features that meet their lifestyle, the application is available for iOS and android devices and allows users to:

- Easily send money to other NEXT cardholders via the application at no cost
- Transfer money to anyone in Lebanon using the BLOM eCash service
- Recharge any Alfa/Touch prepaid line through their mobile phones at no extra cost
- Chat live with one of our Customer Service Center agents and get instant answers for all inquiries 24/7

Golden Points/Miles

The BLOM Golden Points mobile application helps cardholders choose their gifts in an easy and simple way depending on the number of points and miles that they have; the result can be filtered by category, keyword, and merchant.

11.3.4 REWARD PROGRAMS

BLOM Golden Points and Miles Program
The BLOM Golden Points Loyalty program enables customers to accumulate Points and Miles with every USD 1 spent using their card. Cardholders may redeem their points for valuable gifts such as free stays at the finest hotels, fragrances, electronics, and much more. Miles are redeemable for airline tickets to the destination of their choice, and on the carrier they desire.

eRewards
In its continuous effort to strengthen customer loyalty, BLOM BANK introduced another new and innovative feature to its rewards program: the Golden Points and Miles eRewards. Through the eRewards feature, customers who accumulate points and miles are able to pay for their online transactions made from any website using their accumulated points and miles: whether they are booking a ticket, or making an online hotel reservation, or buying any item from any other website. Furthermore, in 2016 BLOM BANK has been awarded by the Banker Middle East for having the 'Best Customer Loyalty Program'.

Instant Redemption of BTA Points
Beirut Traders Shopping cardholders accumulate BTA points every time they use their card and now they can instantly redeem them at any participating merchant for any item of their choice, without the need for a voucher. Accumulated points can be exchanged instantly for a gift of their choice from over 1,000 merchants in Lebanon.

11.3.5 SME LOANS

Small Business Loan for SMEs (ESFD)
Includes a special program offered in coordination with the European Social Fund for Development. This loan grants individuals, financial institutions or companies that operate in Lebanon to finance the launching of a new project or the expansion of an existing one.

Business Loan
BLOM BANK's Business loan - Maktabi - is suitable for clients who wish to buy, expand or refurbish their office, convenience store, warehouse, clinic etc. The loan is offered in USD and clients can get a preliminary approval within 48 hours from the application date.

KAFALAT
BLOM BANK's Kafalat loan is convenient for individuals who want to finance the startup of their new project or the expansion for their business in one of the following sectors: industry, agriculture, tourism, craftsmanship or specialized techniques. Kafalat loan is subsidized by the Central Bank.

11.3.6 BANCASSURANCE SERVICES

AROPE INSURANCE, BLOM BANK's subsidiary, offers all kinds of insurance services from personal accident, to health, to fire, to car insurance and so on. BLOM BANK also offers investment programs coupled with a life insurance policy in collaboration with AROPE INSURANCE.

A successful line of savings/insurance plans is also on offer; DAMANATI Plus, a retirement plan coupled with life insurance and WALADI Plus, a child's education program, coupled with life insurance.

11.3.7 INVESTMENT PRODUCTS

BLOM BANK offers a collection of investment products to help manage one's finances in a better, safer and more profitable way. Accordingly, BLOM BANK, in collaboration with BLOM ASSET MANAGEMENT, offers a collection of Mutual Funds.

11.3.8 SPECIAL ACCOUNTS

Full Option Account
BLOM BANK introduced an account to help clients benefit from flexibility, convenience, and liquidity. The Full Option Account will be given with every loan or salary domiciliation, granting clients services and benefits designed to make their banking journey a rewarding one. The Full Option Account is coupled with an overdraft that provides clients with even more flexibility in addition to a free Visa Debit Classic card and 2,000 bonus Golden Points.

Oumnyati Account
The 'Oumnyati' savings account is another extension of BLOM BANK's peace of mind designed to provide clients with interest on small amounts of money. 'Oumnyati' is a time deposit account that allows saving for a brighter future from as low as USD 50 or LBP 75,000 per month.

Salary Domiciliation Account
BLOM BANK's Salary Domiciliation Account is the ideal solution for both employers and employees to make the most out of their salary. Clients opening a salary domiciliation account receive many banking facilities including credit cards, personal loans and many more.

Account Plus
Three types of bundled accounts that offer the client current accounts with various services for a monthly fee: Account Plus Classic, Account Plus Gold and Account Plus Platinum.

Wedding Account
Clients opening a Wedding Account benefit from personalized debit cards, a preapproved credit card, along with exclusive offers that are related to that special day, and created to save up on all wedding expenses.

11.3.9 CUSTOMER SERVICE

Customer Service Center
BLOM BANK customers can enjoy the convenience of a 24-hour Customer Service Center, ready to cater for all their needs and inquiries. The Customer Service Center's monitoring system has been upgraded for a better examination and control: Fraud Monitor System, ATM Monitor System. The retail department also has a telemarketing team to make outbound informative calls to existing clients.

Extended Advisory Service through eBLOM

BLOM BANK launched a service that allows its eBLOM users to video chat with the Call Center agents via the eBLOM mobile app from their mobile phones from anywhere in the world. In 2016, BLOM BANK added this new feature to its extended advisory service. Previously clients were able to text chat with an agent via eBLOM.

Port of Beirut Bills of Charges Payment

BLOM BANK's latest collaboration with port of Beirut allows all clients, institutions and companies, especially shipping agents, importers and exporters to pay their port of Beirut bills of charges at any BLOM BANK branch in Lebanon or via the eBLOM mobile app.

Bills Payment through eBLOM

This feature allows clients to settle payments for several institutions, universities and schools at any time via the eBLOM mobile app or through www.blombank.mobi. Through a simple click of a button, eBLOM users can now settle many of their bills and utilities.

Instant Check Cashing

For improved customer convenience, BLOM BANK offers its clients innovative services via its ATM network. BLOM clients can deposit a BLOM check at the nearest BLOM Smart ATM and cash it on the spot.

Mobile Banking

The mobile banking service is a member of the eBLOM suite of electronic services and delivery channels and is a completely optimized service for mobile and devices which puts at the client's disposal a wide range of online banking services. Just by getting connected, BLOM BANK customers can manage their accounts and cards on a real-time, fast and secure basis, along with access to unique features that are constantly updated.

BLOM eCash

The BLOM eCash service offers customers the possibility of making transfers to any person without the need for a bank account. The transfer is initiated by the customer through his eBLOM account on his PC or mobile and the funds are withdrawn by the recipient from any BLOM ATM without a card.

Mobile Recharge - Alfa and touch

This service allows eBLOM users to recharge any Alfa or Touch prepaid line instantly from their mobile phones or any internet-connected device, from wherever they are and at the time that best suits them without any additional cost.

e-Banking

BLOM BANK offers its customers phone banking services such as "Allô BLOM" (a 24-hour customer service) as well as internet banking services such as e-BLOM. This service allows users to complete many of their routine banking transactions in the comfort of their home/office. The client may even apply for a card, issue a prepaid card, or even perform outgoing transfers.

SMS Alerts Service

The Bank provides a convenient SMS alert service, enabling customers to receive alerts whenever the balance of accounts changes or whenever a transaction is being performed.

Workflow

BLOM BANK internally developed a workflow system to process most retail loans electronically, thus benefiting from electronic archiving, as well as speed in approval and response cycles (e.g. 1 hour for car loans).

11.3.10 DIGITAL PRESENCE

Public Website

BLOM BANK has revamped its Corporate and Retail websites, which expose a new interactive interface. BLOM retail products and services enjoy an independent, user-friendly website where users can make use of simulators and of online applications through: www.blomretail.com. It is worth mentioning that the new Bank's websites are responsive and compatible with all smartphones in the market.

Social Media Platforms

BLOM BANK's pages on Facebook feature constant updates about the latest promotions and the various products and services launched by the Bank. The pages currently have more than 434,000 fans and are considered one of the most successful pages on Facebook-Lebanon. BLOM Retail has established its presence on twitter in 2013 handling on-the-spot inquiries and customer feedback. BLOM BANK currently has 6,400 followers on twitter. BLOM BANK & BLOM Retail both have Youtube channels with 1,531 subscribers and 2,093,000 video views that feature TVC's and TV releases.

11.3.11 POS MACHINES

BLOM BANK machines accept payment cards issued by any bank under the brands of VISA, MasterCard, JCB, Maestro and American Express. All BLOM BANK machines are NFC-Enabled and equipped with the latest EMV technology, allowing the acceptance of contactless cards "PayPass/Paywave", mobiles payments and chip cards which will provide ultimate security to both the merchant and the cardholder.

BLOM BANK's POS machines also offer the choice for international cardholders to pay in their home currency through the Dynamic Currency Conversion feature whereby any international cardholder can choose whether to pay using their card's currency or the local currency after knowing the exact amount of their purchase in their home currency.

BLOM BANK provides merchants with a next day settlement of the transaction amount, with a one day value date as of the settlement of the amounts. The Bank also dedicates an account manager to handle all inquiries and suggestions concerning POS issues.

BLOM BANK's POS machines have been upgraded to accept instant redemption for Golden Points and Golden Miles (this service is applicable only to selected merchants that are part of BLOM Golden Points program).
In addition BLOM BANK offer their merchants one Golden point/one Mile for each USD 30 or LBP 45,000 spent via POS.

BLOM machines operate through different type of connections:

Dial-up/Ethernet/Internet Machines

These machines are easy to install and use, and offer faster connections and eliminate the use of another phone line just for doing point-of-sale transactions. This provides significant savings for multi-terminal operations, such as those used by bigger retail stores.

GPRS Machines

The GPRS machines are wireless and do not require cables connection. The machines operate with a SIM card that is provided by the bank. BLOM BANK's GPRS machines are portable, allowing merchants to move them anywhere they desire.

11.3.12 e-COMMERCE SOLUTION

BLOM BANK offers a secure online payment gateway (e-commerce solution) with the latest and most advanced technology that ensures ultimate security and peace of mind. With this top notch electronic payment solution, merchants get an end-to-end e-commerce website that processes online payments. The gateway is hosted by CyberSource, the world's first payment management company (VISA Inc.)
The main benefits and advantages:

- Cross-Channel acceptance
- Reports facility
- Payment tokenization
- Fraud prevention
- Checkout customization
- Language support

11.4 ISLAMIC BANKING

The year 2018 was a challenging year, putting a great strain on the Lebanese banking sector as a whole. A fierce competition on deposits has been witnessed between banks in favor of the financial engineering schemes issued by the Central Bank to safeguard the national currency stability. Unfortunately Islamic banks were unable to benefit from most of these financial engineering schemes hindering their ability to match the profit rates offered by conventional banks.

Such circumstances urged BLOM DEVELOPMENT BANK (BDB) to exert more efforts to maintain its customer base and be able to match market profit rates, by way of communicating same with the Central Bank of Lebanon to set up the appropriate sharia compliant mechanism enabling it to benefit from some of the financial engineering schemes issued by the Central Bank during the year.

From the financial perspective, BDB delivered growth in its total assets of 13.8% and in customers' deposits of 13.5% along with increasing its net profit. In addition, during September 2018, BDB relocated its head office and main branch to new premises at Mazraa Main Street which is considered a highly receptive Shariaa compliant business area.

11.5 INSURANCE PRODUCTS AND SERVICES

Established in 1974, AROPE INSURANCE is today one of the major players in Lebanon 's insurance mart.
Since its foundation, AROPE has maintained a steady profitability, continuous growth and sustained development, backed by BLOM BANK's solid financial background and its excellent track of good reputation and credibility, and by SCOR 's, an independent global reinsurer, advanced technical expertise and market leadership.

Operating in all lines of insurance, AROPE commits to provide the finest services to all stakeholders by offering comprehensive insurance solutions to Individuals, Professionals, SMEs and Large Corporations, in various business lines:

Life and Personal Accident Insurance
Healthcare Insurance
Motor Insurance
Marine Insurance
Property Insurance
Liabilities Insurance
Cyber Insurance
Money Insurance
Life Micro-Insurance

Tailor-made insurance solutions or Shariah-Compliant plans (Takaful) are also available upon request.
In terms of consolidated results for 2018, AROPE INSURANCE scored USD 110 million of Gross Premiums, with a Net Profit after Tax of USD 21.4 million (6.5% increase from year 2017) and USD 142.5 million in Shareholders' Equity (7.5% increase from year 2017).

In 2018, AROPE INSURANCE launched EXPAND, its latest medical product in collaboration with Munich Health , part of the global leading Reinsurer Munich Re.

EXPAND is an international medical insurance plan covering travel expenses and medical treatment costs for 5 critical illnesses outside the country of residence in the most prestigious and renown medical centers and hospitals around the world, for an annual limit of USD 1,000,000 and a total lifetime limit of USD 2,000,000.

Moreover, AROPE was shortlisted for the "Most Innovative Insurer" award, as part of the MENA Insurance Awards 2019 thanks to DOOZY, AROPE's new direct insurance business, offering revolutionary insurance plans at competitive prices.

11.6 ASSET MANAGEMENT SERVICES

BLOM BANK's presence in the asset management industry dates back to 2007. Through BLOM ASSET MANAGEMENT

Company, the Bank strives to be a prominent regional asset manager that caters to retail, high net worth, and institutional clients. BLOM BANK's strong commitment to the asset management industry and the consistent results achieved throughout the years are the two pillars of its success. BLOM ASSET MANAGEMENT Company administers and manages several funds in Lebanon and Saudi Arabia, and closely coordinates with its sister entity in Egypt. Its steady performance has been recognized through several awards granted by prominent agencies.

12. INFORMATION SYSTEMS AND TECHNOLOGY

Enormous transformative forces such as demographics, economics, regulatory requirements and the empowerment of the millennials and the digital natives are reshaping the way we do business as technology continues to heavily influence the banking industry especially with the emergence of new trends such as Big Data, Blockchain, Fintechs, Artificial Intelligence, API Banking, Open Banking and mobile and cloud computing.

The vision at BLOM BANK amidst these changing landscapes is to avoid being disrupted by technology and rather to adapt and adopt these new technologies and to evolve from the "as-is" organization to the "to-be" organization in a smooth manner while keeping in mind that the "to-be" organization will remain a moving target given the speed of change in technology.
Experience at BLOM BANK portrays the fact that by having the right technology mix, the Bank is able to run its business in a conventional way while continuing to support the traditional branch delivery channel and at the same time to make it evolve and to progressively embrace the new technology trends and fulfill customer demands and expectations across generations and different markets in the region while optimizing costs and growing revenues.

Hence, the underlying principle that defines the outlook of the Information Systems Division for the future is to provide the Bank's clients with a portfolio of products and services built around the "Easy Technology" and the "Technology that Matters" paradigms. This strategic direction has been embraced at the corporate level and is being endorsed by the Bank's top management with the goal of staying ready for the future and providing our clients with rich and innovative digital experiences.

12.1 ENABLE THE DIGITAL TRANSFORMATION OF BLOM BANK

In order to enable the Digital Transformation of BLOM BANK in a smooth manner while focusing on customer centricity, the Bank's strategy is to focus primarily on its agility to adopt the digital trends and to foster a climate of innovation within it.

Along these lines, BLOM BANK has embraced the omnichannel banking trend which includes tighter integration between core and channel systems than is typically seen in multichannel banking in order to extend its reach to customers not only within a channel but across channels in order to allow simultaneous access to all channels immediately and in real time. To be noted that BLOM BANK has, by design, the most integrated systems which centralize customer data and interactions in real-time thus driving efficiency, productivity and speed to market.

By using this strategy, BLOM BANK is being able to offer the most complete portfolio of technology-enabled products and services which the Bank always aimed to be a superset of those offered by banks at the local and regional levels.

Continuous commitment to innovation has allowed the Bank to win many awards and recognitions:

- In 2018, the Bank won 4 awards from Global Finance including the "Best Consumer Digital Bank", the "Best in Mobile Banking", the "Best Mobile Banking App", and the "Most Innovative Digital Bank" awards for demonstrating continuous excellence in developing innovative and impactful digital products and services for corporate and retail clients.

- BLOM BANK has also been awarded the Jury Prize for Best Mobile Banking App, the Best Banking Website, the Best Digital Financial Inclusion and the Best Digital Services awards at the Arab Digital Banks Excellence Awards 2018 organized by the World Union of Arab Banks.

- SWIFT issued a joint press release in October 2018 to announce BLOM BANK was the first and quickest Bank in Lebanon - and among 280 top leading banks worldwide - to implement the system changes in relation to the SWIFT Global Payment Innovation initiative (SWIFT GPI) which provides better visibility on the status of remittances at all stages.

- eBLOM App has consistently maintained the first rank among Lebanese banking apps in terms of downloads over the past months.

- eBLOM App has consistently maintained the highest rating among Lebanese banking apps and maintains a rating of 4.4+ on Android PlayStore, remarkably higher than other local banking apps. Also, the Bank has observed that there has been a shift towards conducting digital transactions as opposed to transactions at physical branches especially among digital-savvy young customers.

In addition and as part of the digital transformation, BLOM BANK succeeded in digitizing tens of business processes or workflows processing more than 7 million tasks noting that each workflow task would replace the traditional movement of paper and would shorten the overall processing time using a set of forms, rules and controls which are all closely integrated throughout the core banking processes. The Bank has also democratized data and put it in the hand of authorized power users and business analysts, inside a central data warehouse, for several purposes including risk modeling, financial analytics and behavioral or marketing analytics.

12.2 PROVIDE A PLATFORM FOR INNOVATION

Technology-based innovative products and services are becoming increasingly essential to achieve product differentiation and institutional growth in an ever-changing competitive environment. Along these lines, the Information Systems Division team works closely with all business-centric divisions at the Bank and enters into strategic partnerships with telecom operators, retailers as well as with national and international payment systems and networks, in order to offer innovative technology-driven products and services.
Examples of recent cross-departmental projects and initiatives which succeeded in introducing, in a record time, innovative and pioneering products and services to BLOM BANK's customers and prospects include:

SWIFT GPI
On October 15th, 2018, BLOM BANK was the first bank in Lebanon and among few banks in the region to introduce the new SWIFT Global Payments Innovation service (SWIFT GPI) to its clients thus joining a growing network of around 280 leading banks worldwide which are offering this advanced service. SWIFT GPI has been the biggest change to come to cross-border payments in the past 30 years and it is set to become the standard for all cross-border payments made on the SWIFT network by the end of 2020. By being the first bank in Lebanon to implement the SWIFT GPI, the Bank is well equipped to provide retail and corporate clients with the best-in-class quality of service for cross-border payments which are now faster, more transparent and more traceable. Settlement times are now predictable since SWIFT GPI provides tracking information on the status of remittances at all stages. Also, FX rates and charges applied throughout the payment cycle are now more visible thus providing customers with increased peace of mind.

Instant eLoan
As part of the Bank strategy to introduce a series of products via the eBLOM App allowing BLOM BANK to turn the eBLOM App into a sales channel rather than just a transactional channel, BLOM BANK has developed the Instant eLoan service which allows customers to benefit from a loan in just few minutes. Upon confirming the loan details, the loan amount will be instantly credited to the customers' accounts and will be available for immediate spending. The Instant eLoan product allows customer to benefit from more flexibility and convenience as the loan is granted in just few minutes and would allow us to streamline the loan processing, increase our cross selling ratio and to reduce our operational costs.

ATM Bill Settlement
BLOM BANK introduced on it's ATMs a new service allowing customers to settle their loans payments through the ATM. As a result of this new service, customers holding personal loans, housing loans or car loans are able to settle their outstanding bills at any of our ATMs across Lebanon round the clock rather than being restricted to the branches operating hours.

AI-Based Features
The Bank implemented an advanced name matching functionality and an automated signature verification function using intelligent algorithms based on Artificial Intelligence and Machine Learning algorithms.

Bill Payment Service in Jordan
In 2018, BLOM BANK continued to enhance the MadfooatCom service offered to customers via the eBLOM Jordan Mobile Banking App. To be noted that MadfooatCom is a real-time electronic bill presentment and payment solution that enables the Bank's customers in Jordan to make payments seamlessly and securely via the eBLOM Jordan Mobile Banking App.

In addition, the innovative efforts will also encompass the introduction of innovative Visa and MasterCard payment cards, cards digitization, and the introduction of new features on the Bank's POS machines at merchants across Lebanon.

Finally, BLOM BANK will continue to enter into strategic partnerships with software vendors and also consider partnering with Fintechs in order to adopt innovative solutions built around the Open Banking and the API banking technologies.

12.3 EXPAND DIGITAL BANKING SERVICES IN THE EMEA REGION WHILE OPTIMIZING COSTS

At the core of the Information Systems and Technology strategy is the support of BLOM BANK Goup strategy which is based on measured regional expansion to markets with strong potential and on the continuous modernization and diversification of its universal banking services.

Along these lines, the HSBC acquisition in 2017 has created a know-how among IT teams and showed that they have a strong edge enabling to support BLOM BANK, from an IT perspective, in similar mergers and acquisitions opportunities that might arise in the future.

Moreover, the Bank's continued investments in digital technologies are a key contributor towards higher efficiency, driving costs savings and thus contributing towards achieving a cost-to-income ratio among the lowest when compared to peer players in the banking and financial services industry.

12.4 MAINTAIN A RESILIENT, AGILE AND SECURE INFORMATION SYSTEMS INFRASTRUCTURE

Since BLOM BANK is committed to achieve a modular information systems architecture linking business processes with IT capabilities in a way that dramatically increases agility and reliability, the Bank has designed an optimized, robust and stable information systems backbone for the mission-critical applications, which can evolve with proven technology innovations while optimizing costs.

In addition, the Bank's information systems infrastructure supporting private cloud services will allow to scale up the services way quicker, and to provision IT resources with exceptional speed and flexibility. Along these lines and as an illustration of the above, the IT team is supporting BLOM BANK Jordan in achieving COBIT 5.0 compliance. Moreover, the Bank has launched an initiative to prepare the infrastructure at BLOM BANK Jordan to become ready to provision ATM and cards services similar to those offered at BLOM BANK Lebanon subject to a business case assessment on a case-by-case basis.

Also, BLOM BANK will keep on improving its IT Infrastructure reliability and high availability through servers' virtualization and consolidation, enterprise storage consolidation and desktop virtualization while following the Green IT trend.

To be noted that by investing in state-of-the-art data centers, disaster recovery sites and data protection technologies, BLOM BANK will continue to provide a comprehensive, resilient and modernized technical infrastructure with "right-sized" data center and business continuity capabilities. As such, BLOM BANK has implemented a three-site data center replication setup, which links the Bank's primary, high availability and remote disaster recovery data centers, and this implementation has been supported by IBM Lab Services. As a result of this achievement and since this set-up was the first of its kind in Lebanon, IBM has enlisted BLOM BANK as an IBM reference.

Moreover, BLOM BANK has successfully tested IT continuity drill scenarios covering the most critical and vital operations at BLOM BANK and will be continuously fine-tuning its IT Disaster Recovery Plan which is an integral and essential part of the Business Continuity Plan of BLOM BANK.

12.5 ADDRESS SECURITY, REGULATORY AND COMPLIANCE CHALLENGES

Since BLOM BANK is operating in a highly regulated industry, we will continue to address security and regulatory requirements which are introduced in an unprecedented period of increasing regulation.

As such, BLOM BANK shall continue to address compliance and regulatory requirements through the usage of state-of-the-art systems based on data warehousing and specialized data marts and data analytics software aimed at fulfilling regulatory and compliance requirements including MIS, financial and risk analytics at the level of BLOM BANK and BLOM BANK Group as well as user and environment behavioral analytics. As such, BLOM BANK will continue to put in place the information systems and related controls to allow for the compliance with the U.S. FATCA, the CRS and the upcoming IFRS 9 compliance mandates in 2018.

Furthermore, BLOM BANK will keep on improving its fraud monitoring system relying on "big data" related to debit/credit cards transactions and to behavioral Internet activity.

Also, and while the always-on, anywhere-anytime availability of mobile devices offers exciting opportunities, mobility also exposes the need for enhanced security to safeguard the customer privacy online and the integrity of their data and a substantial part of our efforts in any new service revolves around putting in place measures:

- including plans, procedures, special teams and partnerships with vendors and law enforcement and regulatory bodies
- geared towards securing our services and infrastructure, protecting our customers' digital identity while taking into consideration the ever growing threats and sophistication of cyber-attacks.

Finally, BLOM BANK will continue to develop the needed Information Systems and related policies and procedures in order to comply with the Payment Card Industry Data Security Standard (PCI DSS). To be noted that the Bank have succeeded in 2015 in obtaining the PCI Certificate of Compliance at BLOM BANK Jordan against the PCI DSS v.3.0.

13. PEOPLE DEVELOPMENT
13.1 GENERAL OVERVIEW

BLOM BANK recognizes that its human capital is its most valuable asset. Through their efforts, its employees continue to maintain and improve the Bank's status as a major player in the regional financial markets.

People at BLOM BANK are treated with the utmost respect in a culture that strives on fairness, ethics, and transparency. Hiring, advancement, compensation, training, and other privileges of employment are handled according to set standards and procedures. BLOM BANK prohibits discrimination of any type, and offers equal opportunities to all its employees without regard to sex, religion, ethnical background, age, or disability.

In turn, employees are expected to comply with various policies concerning safety, information security, fraud, code of conduct, etc. They are also expected to adhere to the highest standards of ethical behavior in terms of confidentiality, professionalism, transparency, and integrity.

BLOM BANK continues to pride itself on its employees' high level of education where at the end of 2018, 82.35% of employees held a university degree, professional certification, or higher education degree. Also, the average age of employees is 35.45 years which is quite young for our industry.

DISTRIBUTION OF BLOM BANK EMPLOYEES ACROSS BLOM BANK GROUP AS AT END OF DECEMBER 2018

		Banks and Financial Subsidiaries				Insurance Subsidiaries		Grand Total
		Lebanon	MENA	Gulf	Europe	Lebanon	MENA	
Gender	Male	1,388	1,126	94	92	99	202	3,001
	Female	1,247	436	62	82	158	92	2,077
Age	< 25	260	225	18	2	30	40	575
	26-35	1,353	697	49	34	113	179	2,425
	36-45	500	422	43	40	68	61	1,134
	46-55	297	167	23	56	32	12	587
	56-64	225	51	23	42	14	2	357
	Average Age	**36.07**	**33.06**	**40.63**	**47.27**	**35.90**	**32.48**	**35.45**
Level of education	Graduate Degrees	790	41	35	43	40	-	949
	Professional Certificates	33	11	2	1	-	-	47
	Bachelor Degrees	1,328	1,340	67	83	137	231	3,186
	Technical Certificates	55	83	11	28	30	63	270
	Others	429	87	41	19	50	-	626
Functions	Managers and Deputies	331	276	36	38	27	21	729
	Assistants & Supervisors	332	345	7	31	58	35	808
	Employees	1,972	941	113	105	172	238	3,541
Total number of employees		**2,635**	**1,562**	**156**	**174**	**257**	**294**	**5,078**
Number of branches		**82**	**60**	**7**	**7**	**9**	**64**	**229**
Training hours		**74,339**	**51,162**	**1,212**	**1,436**	**3,588**	**15,250**	**146,987**
Number of hired employees		**129**	**185**	**14**	**20**	**27**	**104**	**479**
Departed employees		**181**	**153**	**14**	**20**	**27**	**97**	**492**

The process of attracting, developing, and retaining the best employees is supported by BLOM BANK's implementation of effective and efficient policies and procedures. Keeping the Bank highly competitive requires maintaining a talented and motivated labor force that is aware of its rights and duties.

13.2 RECRUITMENT

Providing the Bank with the required human capital to meet its operational and strategic goals is a challenging task that we continuously strive to accomplish. To this end, we adopt a strategic approach for recruiting and selecting the right people with the right set of skills at the time they are needed.

The recruitment and selection process at BLOM BANK ensures the employment of the best available and most appropriate staff. The right person is matched to the right job based purely on his/her inherent qualifications disregarding any form of discrimination whilst recognizing equal opportunities for all.

The need for new employees is studied taking into consideration the Bank's expansion and growing business needs. Managers identify positions early on to allow for timely recruitment, and applicants are interviewed by the recruitment officers and the line managers, and for high level positions by the General Manager. The potential employees are reference checked and screened by the Group Compliance Division, and the final decision for employment is made by a Human Resources Committee.
BLOM BANK focuses on recruiting fresh talents, allowing for promotions and growth from within, and ensuring long term employee retention. For a wider candidate pool, different sources are exploited, including current BLOM BANK employees, interns, on-line recruitment systems, job fairs, university career centers, and other external recruitment partners.

In 2018, the various units of BLOM BANK Group recruited a total of 479 employees to support the expansion of the Bank across the region, to upkeep its increasing business needs, and to replace departing and retiring employees. The majority of the new recruits were in the MENA region (60.33%), immediately followed by Lebanon (32.57%), Europe (4.18%), and the Gulf region (2.92%).

NEW RECRUITS AND TURNOVER RATES OF BLOM BANK GROUP UNITS OPERATING IN VARIOUS GEOGRAPHIC REGIONS IN YEAR 2018

	New Recruits				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	129	185	14	20	**348**
Insurance Subsidiaries	27	104	-	-	**131**
Total	**156**	**289**	**14**	**20**	**479**

	Turnover Rate				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	6.80	8.44	8.95	11.56	**8.11**
Insurance Subsidiaries	10.51	33.51	-	-	**22.69**
Total	**7.12**	**13.64**	**8.95**	**11.56**	**9.68**

13.3 TRAINING

BLOM BANK considers training essential to ensure a competent workforce that is able to adapt to the constantly evolving business environment. We invest in different types of in-house and external trainings, locally and abroad, that cover a wide range of topics: Banking Operations, Finance, Islamic Finance, Credit Analysis, Investment Banking, Compliance and AML, Risk Management, Marketing, Sales, Leadership, Management, Information Technology, Languages, etc.

The Training Needs Assessment (TNA) is performed by the Human Resources Division in collaboration with the line managers during the last quarter of each year, and the training plan for the coming year is set accordingly and updated continuously. It is worth noting that technical in-house seminars are usually developed and delivered by field experts from BLOM BANK. Other soft skills' development seminars or workshops are delivered by professional trainers from local and international training firms, and are tailored to meet the Bank's needs.

BLOM BANK GROUP DELIVERED 146,987 TRAINING HOURS IN 2018, AMOUNTING TO AN AVERAGE OF 28.95 TRAINING HOURS PER EMPLOYEE

	Training Hours				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	74,339	51,162	1,212	1,436	**128,149**
Insurance Subsidiaries	3,588	15,250	-	-	**18,838**
Total	**77,927**	**66,412**	**1,212**	**1,436**	**146,987**

13.4 CAREER DEVELOPMENT AND PROMOTION

BLOM BANK's strategy of recruiting fresh graduates and promoting from within means that Career Development is one of the Bank's key success factors. Working to fulfill employee ambitions is a powerful motivator and retention tool that gives the Bank a competitive edge in attracting talent.

For that purpose, BLOM BANK follows a clearly defined grading system that links the job functions to the employees taking on the roles. Promotions are processed based on the job's evolution and higher competency requirements as well as on the employee's individual performance within the job. The annual performance appraisal is a prerequisite to employee promotions, bonuses, salary increases, development, etc.

In addition to the individual development programs that are personalized for high potential employees, the Management Training Program (MTP) is designed to provide the Bank with the needed talent for future managerial roles and gives the officers chosen for it the opportunity to branch out through serving on cross-functional teams and completing several short-term assignments, also giving them the opportunity to gain in-depth knowledge of the banking sector as a whole. The selection of candidates for this program follows a very rigorous and transparent process where the line managers and the Human Resources Division are involved to ensure that the best performers with the highest potential are selected from the pool of aspiring, productive, and motivated employees.

BLOM BANK constantly seeks to develop its human capital and the decision making processes involved in their advancement. To this end, the Bank has adopted the Assessment Center tool that is used for developmental purposes be it recruitment, selection, promotions, or succession planning. It provides equal opportunities for candidates and ensures that the selection is based on merit and performance. Certified assessors from the HR Division are in charge of managing the assessment center in order to ensure a thorough assessment of employees' profiles along with the accurate identification of their relevant developmental needs.

BLOM BANK realizes that its employees will not be with the organization indefinitely, and many positions within the Bank are critical and should only be filled by the best qualified persons. An internal pool of potentials and high performers is identified and their succession plans are set to train and prepare them for leadership positions that match their qualifications.

BLOM BANK also recognizes the importance of higher education and many employees' aspirations in pursuing higher education degrees and certifications, and sponsors employees' tuitions up to 100%.

Inductions, on-the-job rotations, and orientation trainings are developed for new employees and for employees who are taking on new roles.

13.5 EMPLOYEE BENEFITS

BLOM BANK is aware of the significance of investing in its employees and keeping them motivated. In addition to investing in their training and education, the Bank ensures employees' access to a variety of benefits and facilities such as special interest rates, medical coverage, guaranteed eligibility for preferred medical coverage upon retirement, profit sharing, special allowances, etc.

Because we strongly believe that the Bank's value lies in its human capital, we keep our people highly engaged to better serve our customer.

14. BANK'S OPERATIONAL EFFICIENCY

In 2018, BLOM BANK Group's operational efficiency remained at a high level. Net profit per branch and average asset per branch improved by 4.0% and 11.4% respectively, as a result of both higher net profit and assets.

BLOM BANK GROUP'S OPERATIONAL EFFICIENCY INDICATORS

	2018	2017
Number of Branches	**229**	**226**
Average Assets per Branch (USD)	**160,439,543**	**144,000,065**
Net Profit per Branch (USD)	**2,234,155**	**2,147,221**

15. CORPORATE SOCIAL RESPONSIBILITY

Over the years, BLOM BANK has developed its Corporate Social Responsibility framework around solid internal foundations which has led this framework to develop organically and create an impact on the environment. Year after year, BLOM BANK has strengthened its commitment to behave in a sustainable manner by contributing to the economic development of Lebanon, while improving the quality of life and wellbeing to thousands of people in the local communities, and the society as a whole.

In 2018, Sustainability policy was redefined to set the guiding principles for how the Bank ensures long-term sustainability by bearing in mind the environmental, social and governance factors in the conduct of its operations. Furthermore, BLOM BANK commitment to responsible and ethical business practices extends to the Board of Directors, management, employees, shareholders, partners, suppliers, and customers.

BLOM BANK has also consolidated a medium term action plan that outlines a clearer 2019-2023 sustainability strategy. Indeed BLOM BANK goal of a 5-year roadmap is mainly based on innovative thinking, change through collaboration, capacity and efficiency building partnerships that deliver long term impact in the value chain and embed sustainability into its systems and approaches.

The Bank has also set up a steering Sustainability Committee; its main role is the effective implementation of the environmental and social aspects of the Sustainability policy. It is an advisory and consultative body to the Board of Directors, having a representation of all major departments of the Bank and chaired by the Bank's Chairman and General Manager.

BLOM Corporate Social Responsibility framework is built around four pillars, which are Education, Environment, Economic Development and better use: Society's welfare. BLOM BANK focused on a further active collaboration with social partners and worked on projects that are impact focused.

15.1 EDUCATION

BLOM BANK considers education as one of the foundations of the CSR strategy, as providing educational opportunities can make a difference in the lives of millions of people, pulling them out of the poverty and developing children to their full potential.

Under this vision, the Bank has developed several programs and ran projects in the education field focusing on needs-based initiatives. BLOM BANK also joined the Lebanon SDG Council in 2017 and adopted the Sustainable Development Goal (SDG) 4: Quality Education; by doing that, the Bank reinforced its commitment to education and has been working closely with the GCNL to deliver progress towards the 2030 Agenda.

15.1.1 BLOM SHABEB

To ensure that children take the right decisions down their academic and professional paths, BLOM BANK created BLOM Shabeb program in 2010 - a CSR program that empowers Lebanese adolescents and youth, aged between 10 and 25 years old - through proper guidance, helpful tips, and right tools needed to become the society's future leaders.

Up until 2018, more than 383,400 adolescents and youths benefited from the BLOM Shabeb program through career fairs, workshops, job fairs and campus events. They have also benefited through the program's website and its social media platforms that offer many services.

In addition to that, BLOM Shabeb allocates a considerable yearly budget dedicated to supporting students with high academic performance by funding their undergraduate university degree. The program has provided full academic scholarships to 49 students in different universities across Lebanon through various ways. It has funded their scholastic perusal at the university of their choice; it has also, through sustaining "The A List" Competition, given five students the chance to win university scholarships worth a combined USD 150,000 annually.

Last, with its serious attitude towards education, the BLOM Shabeb program has armed adolescents with the "START with BLOM" program, a financial literacy program that aims to awaken their financial consciousness towards life.

15.1.2 PROTECT ED PROGRAM

Protect Ed is a Canadian program supported by BLOM BANK since its launch in Lebanon in 2013. It is adapted to meet Lebanon's specific cultural and safety needs, and offers kids preventative, proactive and innovative safety education on bullying, child abuse, predators, racism, discrimination and social media influence in order to build confidence, reduce risk and protect the future of our children.

In 2018, 40 new schools have enlisted in the Protect Ed program, bringing the total number of enrolled schools to 170, with a total of 107,692 school students benefiting from valuable safety education.

15.1.3 THE VIRTUAL STOCK EXCHANGE COMPETITION FROM UNIVERSITY LEVEL TO NATIONAL

In its continuous strive to contribute to the development of human capital, BLOMINVEST BANK remained committed to affiliating with prominent academic institutions in creating a framework to match knowledge with experience and theory with practice. More specifically, BLOMINVEST BANK sponsored the development of application based experience in taught finance curriculums and promoted their sustainability for the coming generations. The Virtual Stock Exchange (VSE) competition started ten years ago with one university and progressed to nine leading academic institutions reaching out to a student population of 70,000. Over the past decade, 400 man hours of the Bank's expert resources were dedicated to run 41 virtual stock exchange competitions involving 3,700 students with a total investment of USD 300,000 where 164 winning students received prizes ranging from USD 500 to USD 4,000. In 2018, BLOMINVEST BANK celebrated the second edition of the national competition where 45 winning students from various universities competed against each other for the top 5 nationwide positions. Going forward, BLOMINVEST BANK aims to widen the scope by engaging universities across all regions of the country to involve students in rural areas.

15.1.4 TEACH FOR LEBANON SUMMER INSTITUTE

BLOM BANK partnered with "Teach For Lebanon" to support their summer institute that provided theoretical training on education pedagogy and professional development for teach for Lebanon's 19 newly on-boarded fellow teachers: Cohort10. This training was needed to impact student achievements, including extra-curricular activities and community projects during the placement of the fellows. BLOM trained fellows were placed across 23 public or free schools in deprived areas that cater to low income communities. 2,565 underprivileged students, age range 3-17 years old, in kindergarten up until secondary grades received access to primary education by the 19 empowered fellows in the scholastic year 2018-2019.

15.2 ENVIRONMENT

15.2.1 CARBON FOOTPRINT MEASUREMENT

For the second year in a row, BLOM BANK has appointed V4 Advisors to conduct a Greenhouse Gas (GHG) audit measured in tCO2eq for their Head Offices, branches and warehouses in Lebanon and this based on the Business-as-Usual (BaU) scenario.

The 2017 GHG assessment served as an important tool for quantifying the effectiveness of BLOM BANK's environmentally friendly ongoing initiatives to reduce its carbon footprint. As a matter of fact, total GHG emitted by BLOM

BANK dropped from 15,267.2 tCO_2eq to 14,919.6 tCO_2eq year on year given a total of 2,445 employees occupying a total area of 96,085.5 m2; this is equivalent to a decline of 0.86 tCO_2eq/employee, from 6.96 tCO_2eq/employee to 6.1 tCO_2eq/employee year on year. More importantly, GHG emissions in tCO_2eq/m2 have decreased by 11% (174.4 $kgCO_2eq$/m2 compared to 155.3 $KgCO_2eq$/m2 year on year).

15.2.2 PAPER RECYCLING AND REDUCTION

In 2018, BLOM BANK has delivered 61.4 tons of paper to a leading national paper recycling company and the proceeds were donated to associations that provide assistance to differently abled children.

Moreover, 40 tons of shredded papers were handed out to "Association l'Ecoute" in order to support their main mission of supplying earpieces to needy hearing-impaired individuals.

In addition, as of July 2018, BLOM BANK has adopted new forms for advices whereby the number of carbon copies was reduced from three to two copies, leading to around 30% decrease in "advices" paper consumption.

Furthermore, starting August 2018, BLOM BANK introduced multi-use envelopes for internal correspondence. This initiative will considerably cut on envelope consumption.

15.2.3 PLASTIC AND METAL RECYCLING AND REDUCTION

In addition to shredded paper, "Association l'Ecoute" collects from BLOM BANK head office buildings plastic and metal for recycling.

Moreover, in order to reduce the usage of single use plastic bottles, BLOM BANK provided all staff members with reusable water plastic bottles. Furthermore, it shifted to paper coffee cups instead of plastic ones.

15.2.4 WASTE SEGREGATION

As part of BLOM BANK's "Go Green" initiative and with the support of AUB's neighborhood and tobacco free initiative, it has placed five sets of cigarette butts recycling bins in the outdoor smoking areas in Verdun and Hamra head office buildings. The collected cigarette butts will be recycled into paddles and surfboards within the same initiative of the American University of Beirut.

15.3 ECONOMIC DEPARTMENT

15.3.1 DEMINING

In collaboration with the Lebanon Mine Action Center (LMAC), a unit in the Lebanese Army, the BLOM "Giving Card" assists in the removal of mines and cluster bombs from the Lebanese territories. Donations are made whenever BLOM MasterCard Giving cardholders pay the card's annual fee and whenever they use their cards for purchases or for cash withdrawals without bearing any extra cost.

Since 2010 and up until today, more than USD 1.6 million has been donated to the Lebanese Mine Action Center from the Giving program alone and more than 318,378 mines have been removed from 227,413 m2. Other than removing a large number of mines, the program planted more than 1,000 trees in the demined lands.

The Giving program has also been recognized several times internationally and has won multiple awards such as:

- The Best Corporate Social Responsibility Card in the Levant for 2018 by MasterCard
- Corporate Leadership Award by Hult Prize Global Selection Committee in 2018
- Special Recognition from Lebanese Army Commander General Jean Kahwaji and Mr. Michael Williams, UN Representative in Lebanon

- Winner of the “Best Cause” at the MENA Cristal Awards for 2010
- First initiative chosen by MasterCard to be part of the Purchase with Purpose program 2014

15.3.2 YOUTHFUL SOCIAL ENTERPRISES

BLOM BANK has partnered with Hult Prize Foundation and BDL to bring Hult Prize to Lebanon and give an opportunity for the youth to develop their entrepreneurial skills by launching for-good for-profit start-ups that address large human challenges.

In the 2017- 2018 cycle, 500,000 students were reached across Lebanon through trainings, social media, information sessions and On Campus booths. 10,000 students engaged, 5,000 students applied, 2,700 students were trained, 24 university campuses participated in the competition, 32 jobs were created, 4 companies were launched and USD 1.5 million were invested in the impact sector in Lebanon. 45 global experts mentored the students, and 90 judges participated in different stages of the competition. During the finals of the first year cycle, the winner “Heatechs” was awarded the region’s largest startup seed grant of USD 250,000. Their startup has developed an innovative product that combines renewable energy with advanced materials into a heat generating mattress that can be charged by the sun, aiming to keep thousands of refugees warm.

15.4 SOCIETY'S WELFARE

15.4.1 BLOM BANK BEIRUT MARATHON

BLOM BANK maintained its strategic partnership with the Beirut Marathon Association throughout 13 years, aiming not only to encourage and promote healthy living and wellness through running, but also to create the largest fundraising and awareness platform for NGOs in Lebanon. BBBM constitutes a unifying platform that brings together people from different backgrounds and confessions to participate communally in good spirit and for good purposes despite all challenges. In addition and simultaneously with the BBBM, the Bank runs its internal volunteering activities spanning over the Marathon’s different preparatory and final phases.

In 2018, 48,605 participants took part in the 16th edition of BLOM BANK Beirut Marathon. 3,815 international runners took part in the races, representing 109 different nationalities. In addition to that, 180 NGOs raised more than USD 160,000 through their participation in the BBBM.

15.4.2 THE 542 PROGRAM

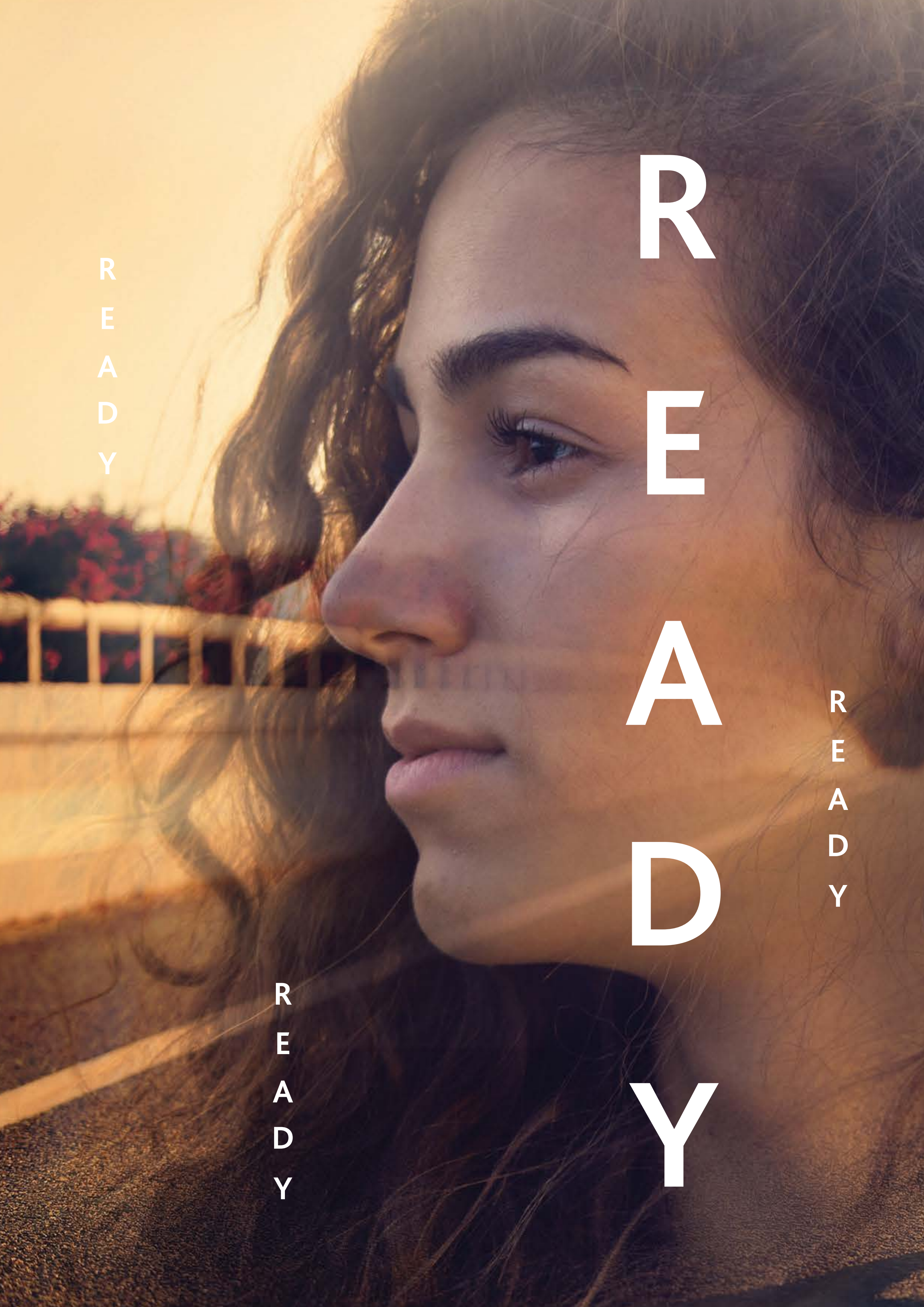
The Bank has supported the 542 program, which is a community based initiative created by the Beirut Marathon Association aiming to transform first time runners into marathoners. In 5 months, participants train for free to run the 42K marathon. In 2018, 720 first time runners have participated in the program, out of which 350 runners fully trained for the 42K Marathon. BLOM BANK employee volunteers have also supported and encouraged the runners on some Sunday runs.

15.4.3 DONNER SANG COMPTER

The dedication of BLOM BANK employees’ blood donors continues to grow stronger year after year.
Stemming from the belief that simple actions of generosity and kindness go a long way, BLOM BANK teamed up with Donner Sang Compter to hold blood drives for its employees, expanding support to more communities where BLOM BANK people live, work and serve. 70 blood donors from BLOM BANK saved 210 lives in 2018.

15.4.4 SERVING EVERYONE EQUALLY

To equally cater to the needs of all BLOM BANK clients, a number of branches now boasts wheelchair and visually impaired friendly ATMs. Ramps have also been installed to facilitate wheelchair access into these branches. 8 of BLOM BANK branches have now wheelchair and visually impaired friendly ATMs.


READY
READY
READY
READY


READY
BLOM BANK
BEIRUT
MARATHON
READY
TO RUN
FOR WHAT
WE BELIEVE
IN.

Consolidated Financial Statements
31 December 2018

Building a better
working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BLOM BANK SAL

Qualified Opinion

We have audited the consolidated financial statements of BLOM Bank SAL (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As disclosed in note 36 to the consolidated financial statements, due to regulatory requirements enacted since 2016, the Group carried excess provisions of LL 337,177 million (the "excess provisions") as at 31 December 2017. This caused us to qualify our opinion on the consolidated financial statements relating to previous years affected by these regulatory requirements, as these transactions constitute a departure from International Financial Reporting Standards (IFRS). Our audit opinion for the current year is also modified due to the effect of these prior years' transactions on the consolidated financial statements as at 31 December 2018. As disclosed in note 2.3 and in accordance with regulatory instructions, the Group used an amount of LL 126,298 million from the excess provisions to provide for additional amounts resulting from the first-time adoption of IFRS 9 Expected Credit Losses (ECL) model on 1 January 2018, instead of recognizing the impact within opening "Retained earnings" (as required by IFRS). The Group also used LL 49,934 million of these excess provisions towards additional IFRS 9 allowances for the year instead of recognizing an impairment loss on financial assets in the consolidated income statement. The remaining excess provisions amounted to LL 160,945 million as at 31 December 2018 and were classified under "Provisions for risks and charges".

Accordingly, profit for the year 2018 is overstated by LL 49,934 million (2017: LL 89,720 million), "Provisions for risks and charges" is overstated and total equity is understated by LL 160,945 million as at 31 December 2018 (2017: LL: 337,177 million).

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information Included in the Group's 2018 Annual Report

Other information consists of the information included in the Group's 2018 Annual Report other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. The Group's 2018 Annual Report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the year ended 31 December 2018. In addition to the matter described in the *"Basis for Qualified Opinion"* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *"Auditors' Responsibilities for the Audit of the Consolidated Financial Statements"* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our qualified audit opinion on the accompanying consolidated financial statements.

Allowances for expected credit losses
Refer to note 2.5 of the consolidated financial statements for a description of the accounting policy and note 49 for analysis of credit risk.

Due to the inherently judgmental nature of the computation of expected credit losses ("ECL") for financial assets, there is a risk that the amount of ECL may be misstated. On adoption, the Group has applied the requirements of IFRS 9 retrospectively without restating the comparatives.

The key areas of judgement include:
1. The identification of exposure with a significant deterioration in credit quality.
2. Assumptions used in the ECL model such as financial condition of counterparty, expected future cash flows, forward looking macroeconomic factors etc.
3. The need to apply additional overlays to reflect current or future external factors that might not be captured by the expected credit loss model.

How the matter was addressed during our audit:
We performed the following procedures:
1. We assessed the modelling techniques and methodology against the requirements of IFRS 9.
2. We tested the data, both current and historical, used in determining the ECL.
3. We tested the expected credit loss models including build, validation and governance of models.
4. We tested the material modelling assumptions in addition to any overlays.
5. We examined a sample of exposures and performed procedures to determine whether significant increase in credit risk had been identified on a timely basis.
6. We reperformed the ECL computation for sample of credit facilities.
7. We assessed the adequacy of disclosures in the consolidated financial statements.

Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are

considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partners in charge of the audit resulting in this independent auditors' report are Walid Nakfour for Ernst & Young and Nicolas Barakat for BDO, Semaan, Gholam & Co.

Ernst & Young

BDO, Semaan, Gholam & Co.

22 March 2019
Beirut, Lebanon

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018

LL Million	Notes	2018	2017
Interest and similar income	7	3,365,382	2,783,524
Interest and similar expense	8	(2,098,265)	(1,671,530)
Net interest income		**1,267,117**	**1,111,994**
Fee and commission income		277,989	263,016
Fee and commission expense		(63,133)	(57,239)
Net fee and commission income	9	**214,856**	**205,777**
Net gain from financial instruments at fair value through profit or loss	10	34,771	38,053
Net (loss) gain from sale of financial assets at amortized cost	11	(5,498)	60,420
Revenue from financial assets at fair value through other comprehensive income		917	340
Other operating income	12	36,721	129,393
Total operating income		**1,548,884**	**1,545,977**
Net impairment losses on financial assets	13	(16,814)	(19,101)
Net operating income		**1,532,070**	**1,526,876**
Personnel expenses	14	(348,295)	(317,618)
Other operating expenses	15	(192,506)	(170,397)
Depreciation of property and equipment	26	(37,670)	(35,368)
Amortization of intangible assets	27	(1,890)	(2,003)
Impairment of goodwill	30	-	(89,720)
Total operating expenses		**(580,361)**	**(615,106)**
Operating profit		**951,709**	**911,770**
Net loss on disposal of fixed assets		(1,255)	(403)
Profit before tax		**950,454**	**911,367**
Income tax expense	16	(179,184)	(179,820)
Profit for the year		**771,270**	**731,547**
Attributable to:			
Equity holders of the parent		765,757	726,701
Non-controlling interests		5,513	4,846
		771,270	**731,547**
Basic earnings per share attributable to equity holders of the parent for the year	17	LL **3,573**	**LL 3,394**

The accompanying notes 1 to 50 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

LL Million	2018	2017
Profit for the year	**771,270**	**731,547**
Other comprehensive gain to be reclassified to consolidated income statement in subsequent periods:		
Exchange differences on translation of foreign operations	(853)	39,335
Net gain (loss) on hedge of net investment	8,833	(22,693)
	7,980	**16,642**
Other comprehensive gain not to be reclassified to consolidated income statement in subsequent periods:		
Net unrealized gain from financial assets at fair value through other comprehensive income	1,051	67
Other comprehensive gain for the year	**9,031**	**16,709**
Total comprehensive income for the year	**780,301**	**748,256**
Attributable to:		
Equity holders of the parent	774,388	743,337
Non-controlling interests	5,913	4,919
	780,301	**748,256**

The accompanying notes 1 to 50 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2018

LL Million	Notes	2018	2017
Assets			
Cash and balances with central banks	18	33,135,407	24,630,491
Due from banks and financial institutions	19	2,366,769	3,563,253
Loans to banks and financial institutions	20	37,864	44,513
Derivative financial instruments	21	18,752	20,401
Financial assets at fair value through profit or loss	22	361,301	363,715
Net loans and advances to customers at amortized cost	23	10,776,820	11,335,975
Net loans and advances to related parties at amortized cost	44	24,443	28,145
Debtors by acceptances		191,492	150,791
Financial assets at amortized cost	24	7,410,461	7,856,375
Financial assets at fair value through other comprehensive income	25	14,605	4,224
Property and equipment	26	803,825	797,875
Intangible assets	27	4,991	2,173
Assets obtained in settlement of debt	28	58,276	60,680
Other assets	29	179,548	199,497
Goodwill	30	1,984	1,996
Total assets		**55,386,538**	**49,060,104**
Liabilities and Equity			
Liabilities			
Due to central banks	31	7,116,222	2,254,945
Repurchase agreements	31	25,826	7,263
Due to banks and financial institutions	32	866,061	578,685
Derivative financial instruments	21	22,621	34,387
Customers' deposits at amortized cost	33	40,413,404	39,977,019
Deposits from related parties at amortized cost	44	164,218	185,571
Debt issued and other borrowed funds	34	456,288	-
Engagements by acceptances		192,751	150,791
Other liabilities	35	849,795	817,398
Provisions for risks and charges	36	352,061	523,424
Total liabilities		**50,459,247**	**44,529,483**
Equity			
Share capital	37	322,500	322,500
Share premium	37	374,059	374,059
Non-distributable reserves	38	1,533,677	1,312,778
Distributable reserves		642,697	601,207
Treasury shares	39	(13,567)	(8,473)
Retained earnings	40	1,611,312	1,520,460
Revaluation reserve of real estate		14,727	14,727
Change in fair value of financial assets at fair value through other comprehensive income	41	(957)	614
Foreign currency translation reserve		(402,131)	(410,141)
Profit for the year		765,757	726,701
Equity attributable to equity holders of parent		**4,848,074**	**4,454,432**
Non-controlling interests		79,217	76,189
Total equity		**4,927,291**	**4,530,621**
Total liabilities and equity		**55,386,538**	**49,060,104**

The consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors on 22 March 2019:

Saad Azhari
Chairman and General Manager

Talal Baba
Chief Financial Officer

The accompanying notes 1 to 50 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Attributable to equity holders of the parent						
LL Million	Share capital-common shares	Share capital-preferred shares	Share premium on common shares	Share premium on preferred shares	Non distributable reserves	Distributable reserves	Treasury shares
Balance at 1 January 2018	322,500	-	374,059	-	1,312,778	601,207	(8,473)
Impact of IFRS 9 at 1 January 2018 (note 2)	-	-	-	-	(732)	(4,766)	-
Restated balance at 1 January 2018	**322,500**	**-**	**374,059**	**-**	**1,312,046**	**596,441**	**(8,473)**
Profit for the year	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer from retained earnings to non-distributable reserves	-	-	-	-	111,393	-	-
Dividends distributions (note 43)	-	-	-	-	-	-	-
Appropriation of 2017 profits	-	-	-	-	110,170	45,091	-
Change in non-controlling interest	-	-	-	-	-	12	-
Purchase of treasury shares (note 39)	-	-	-	-	-	-	(5,766)
Sale of treasury shares (note 39)	-	-	-	-	-	-	672
Net gain on sale of treasury shares (note 39)	-	-	-	-	68	-	-
Other	-	-	-	-	-	1,153	-
Balance at 31 December 2018	**322,500**	**-**	**374,059**	**-**	**1,533,677**	**642,697**	**(13,567)**

	Attributable to equity holders of the parent						
LL Million	Share capital-common shares	Share capital-preferred shares	Share premium on common shares	Share premium on preferred shares	Non distributable reserves	Distributable reserves	Treasury shares
Balance at 1 January 2017	258,000	24,000	374,059	277,500	1,192,652	559,860	(16,941)
Profit for the year	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Call of preferred shares	-	(24,000)	-	(277,500)	-	-	-
Capital increase	64,500	-	-	-	(64,500)	-	-
Transfer from retained earnings to distributable & non-distributable reserves	-	-	-	-	3,367	(4,120)	-
Dividends distributions (note 43)	-	-	-	-	-	-	-
Appropriation of 2016 profits	-	-	-	-	179,455	45,470	-
Change in non-controlling interest	-	-	-	-	(6)	(3)	-
Purchase of treasury shares (note 39)	-	-	-	-	-	-	(37,564)
Sale of treasury shares (note 39)	-	-	-	-	-	-	46,032
Net gain on sale of treasury shares (note 39)	-	-	-	-	3,408	-	-
Other	-	-	-		(1,598)	-	-
Balance at 31 December 2017	**322,500**	**-**	**374,059**	**-**	**1,312,778**	**601,207**	**(8,473)**

The accompanying notes 1 to 50 form part of these consolidated financial statements.

2018							
Retained earnings	Revaluation reserves of real estate	Change in fair value of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Profit for the year	Total	Non-controlling interests	Total equity
1,520,460	14,727	614	(410,141)	726,701	4,454,432	76,189	4,530,621
(2,124)	-	(2,192)	-	-	(9,814)	(351)	(10,165)
1,518,336	**14,727**	**(1,578)**	**(410,141)**	**726,701**	**4,444,618**	**75,838**	**4,520,456**
-	-	-	-	765,757	765,757	5,513	771,270
-	-	621	8,010	-	8,631	400	9,031
-	**-**	**621**	**8,010**	**765,757**	**774,388**	**5,913**	**780,301**
(111,393)	-	-	-	-	-	-	-
-	-	-	-	(364,338)	(364,338)	(1,530)	(365,868)
207,104	-	-	-	(362,365)	-	-	-
(10)	-	-	-	2	4	(16)	(12)
-	-	-	-	-	(5,766)	-	(5,766)
-	-	-	-	-	672	-	672
-	-	-	-	-	68	-	68
(2,725)	-	-	-	-	(1,572)	(988)	(2,560)
1,611,312	**14,727**	**(957)**	**(402,131)**	**765,757**	**4,848,074**	**79,217**	**4,927,291**

2017							
Retained earnings	Revaluation reserves of real estate	Change in fair value of financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Profit for the year	Total	Non-controlling interests	Total equity
1,413,258	14,727	550	(426,713)	676,443	4,347,395	73,235	4,420,630
-	-	-	-	726,701	726,701	4,846	731,547
-	-	64	16,572	-	16,636	73	16,709
-	**-**	**64**	**16,572**	**726,701**	**743,337**	**4,919**	**748,256**
-	-	-	-	-	(301,500)	-	(301,500)
-	-	-	-	-	-	-	-
753	-	-	-	-	-	-	-
-	-	-	-	(343,263)	(343,263)	(1,499)	(344,762)
108,254	-	-	-	(333,179)	-	-	-
(9)	-	-	-	(1)	(19)	19	-
-	-	-	-	-	(37,564)	-	(37,564)
-	-	-	-	-	46,032	-	46,032
-	-	-	-	-	3,408	-	3,408
(1,796)	-	-	-	-	(3,394)	(485)	(3,879)
1,520,460	**14,727**	**614**	**(410,141)**	**726,701**	**4,454,432**	**76,189**	**4,530,621**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

LL Million	Notes	2018	2017
Operating Activities			
Profit for the year before income tax		950,454	911,367
Adjustments for:			
Depreciation of property and equipment	26	37,670	35,368
Amortization of intangible assets	27	1,890	2,003
Loss on disposal of property and equipment		1,255	403
Net impairment losses on financial assets	13	16,814	19,101
Provision for impairment of assets obtained in settlement of debt	28	2,324	110
Write-back of provision on assets obtained in settlement of debt	28	(352)	(749)
Net provision for risks and charges		4,227	14,683
Gain on disposal of assets obtained in settlement of debt	12	-	(1,662)
Net loss (gain) from sale of financial assets at amortized cost	11	5,498	(60,420)
Unrealized loss on financial assets at fair value through profit or loss	10	10,676	9,882
Impairment of goodwill	30	-	89,720
Release of provisions for risks and charges	12	-	(105,552)
Other		-	(4,184)
		1,030,456	910,070
Changes in operating assets and liabilities:			
Balances with central banks		(2,604,686)	(5,283,310)
Repurchase agreements		4,750	-
Due from banks and financial institutions		455,666	(47,566)
Loans to banks and financial institutions		6,649	16,040
Derivative financial instruments – debit		1,649	32,779
Financial assets at fair value through profit or loss		(8,262)	13,062
Net loans and advances to customers at amortized cost		527,583	(646,686)
Net loans and advances to related parties at amortized cost		3,702	63,412
Other assets		19,949	(43,060)
Due to banks and financial institutions		114,344	(79,708)
Derivative financial instruments – credit		(11,766)	851
Customers' deposits at amortized cost		436,385	2,837,192
Deposits from related parties at amortized cost		(21,353)	(76,919)
Other liabilities		19,462	30,678
Provisions for risks and charges	36	(181,592)	(89,720)
Cash used in operations		(207,064)	(2,362,885)
Taxes paid		(142,563)	(208,704)
Provisions for risks and charges paid		(5,943)	(4,660)
Net cash used in operating activities		**(355,570)**	**(2,576,249)**
Investing Activities			
Financial assets at amortized cost		445,933	3,198,978
Financial assets at fair value through other comprehensive income		(10,381)	(409)
Assets obtained in settlement of debt		369	(8,462)
Purchase of property and equipment	26	(52,836)	(75,699)
Purchase of intangible assets	27	(4,200)	(1,426)
Transfer of property and equipment and intangible assets	26&27	(113)	154
Transfer of assets obtained in settlement of debt	28	-	7
Cash proceeds from the sale of property and equipment and intangible assets		6,035	1,691
Acquisition of a subsidiary, net of cash acquired	30	-	(13,178)
Net cash from investing activities		**384,807**	**3,101,656**
Financing activities			
(Purchase) sale of treasury shares – net		(5,094)	8,468
Net gain on sale of treasury shares		68	3,408
Dividends paid	43	(364,338)	(343,263)
Dividends paid to non-controlling interests in a subsidiary company		(1,245)	(1,499)
Call of preferred shares		-	(301,500)
Debt issued and other borrowed funds	34	456,288	-
Net cash from (used in) financing activities		**85,679**	**(634,386)**
Effect of exchange rate changes		**(6,023)**	**(7,825)**
Increase (decrease) in cash and cash equivalents		**108,893**	**(116,804)**
Cash and cash equivalents at 1 January		4,850,688	4,967,492
Cash and cash equivalents at 31 December	42	**4,959,581**	**4,850,688**
Operational cash flows from interest and dividends			
Interest paid		(2,092,748)	(1,623,975)
Interest received		3,172,759	2,735,959
Dividends received		9,960	7,951

1. CORPORATE INFORMATION

BLOM BANK S.A.L. (the "Bank"), a Lebanese joint stock company, was incorporated in 1951 and registered under No 2464 at the commercial registry of Beirut and under No 14 on the banks' list published by the Central Bank of Lebanon. The Bank's head office is located in Verdun, Rashid Karameh Street, Beirut, Lebanon. The Bank's shares are listed on the Beirut Stock Exchange and Luxembourg Stock Exchange.

The Bank, together with its affiliated banks and subsidiaries (collectively the "Group"), provides a wide range of retail, commercial, investment and private banking activities, insurance and brokerage services through its headquarter as well as its branches in Lebanon and its presence in Europe, the Middle East and North Africa.
Further information on the Group's structure is provided in note 4.

The consolidated financial statements were authorized for issue in accordance with the Board of Directors' resolution on 22 March 2019.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis except for: a) the restatement of certain tangible real estate properties in Lebanon according to the provisions of law No 282 dated 30 December 1993, and b) the measurement at fair value of derivative financial instruments, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.

The consolidated financial statements are presented in Lebanese Pounds (LL) and all values are rounded to the nearest LL million, except when otherwise indicated.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB), and the regulations of the Central Bank of Lebanon and the Banking Control Commission ("BCC").

Presentation of financial statements
The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the statement of financial position date (current) and more than 1 year after the statement of financial position date (non-current) is presented in the notes.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position. They are offset and the net amount is reported only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis – or to realise the assets and settle the liability simultaneously – in all of the following circumstances: a) the normal course of business, b) the event of default, and c) the event of insolvency or bankruptcy of the Group and/or its counterparties. Only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement. This is not generally the case with master netting agreements, therefore the related assets and liabilities are presented gross in the consolidated statement of financial position. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of BLOM BANK S.A.L. and its subsidiaries as at 31 December 2018. Details of the principal subsidiaries are given in note 5.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

• Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
• Exposure, or rights, to variable returns from its involvement with the investee; and
• The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. However, under individual circumstances, the Group may still exercise control with less than 50% shareholding or may not be able to exercise control even with ownership over 50% of an entity's shares. When assessing whether it has power over an investee and therefore controls the variability of its returns, the Group considers all relevant facts and circumstances, including:

• The purpose and design of the investee;
• The relevant activities and how decisions about those activities are made and whether the Group can direct those activities;
• Contractual arrangements such as call rights, put rights and liquidation rights; and
• Whether the Group is exposed, or has rights, to variable returns from its involvement with the investee, and has the power to affect the variability of such returns.

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value at the date of loss of control.

Where the Group loses control of a subsidiary but retains an interest in it, then such interest is measured at fair value at the date that control is lost with the change in carrying amount recognized in profit or loss. Subsequently, it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. As such, amounts previously recognized in other comprehensive income are transferred to consolidated income statement.

Non-controlling interests
Non-controlling interest represent the portion of profit or loss and net assets of subsidiaries not owned by the Group. The Group has elected to measure the non-controlling interest in acquirees at the proportionate share of each acquiree's identifiable net assets. Interests in the equity of subsidiaries not attributable to the Group are reported in consolidated equity as non-controlling interests.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

The Group treats transactions with non-controlling interests as transactions with equity holders of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The nature and the impact of each new amendment is described below:

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments and all previous versions of IFRS 9 (2009, 2010 and 2013). The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The new version, IFRS 9 (2014) is effective for annual periods beginning on or after 1 January 2018. The Group adopted the new standard on the required effective date, along with the provisions of the Central Bank of Lebanon basic circular No. 143 and the Banking Control Commission circular No.293.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9 (2014). Therefore, the comparative information for 2017 is reported under IFRS 9 (2009, 2010 and 2013) and IAS 39 impairment requirements and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 (2014) have been recognized directly in retained earnings or reserves (as applicable) as of 1 January 2018 and are disclosed in section V below.

I. Classification and measurement

The Group has early adopted classification and measurement requirements as issued in IFRS 9 (2009) and IFRS 9 (2010). In the July 2014 publication of IFRS 9, the new measurement category fair value though other comprehensive income was introduced for financial assets that satisfy the contractual cash flow characteristics (SPPI test). This category is aimed at portfolio of debt instruments for which amortized cost information, as well as fair value information is relevant and useful. A debt financial asset is measured at fair value through OCI if:

- it is held in a business model whose objective is achieved by both holding assets to collect contractual cash flows and selling the assets, and
- it satisfies the contractual cash flow characteristics (SPPI test).

At the date of application of IFRS 9 (2014), the Group reassessed the classification and measurement category for all financial assets debt instruments that satisfy the contractual cash flow characteristics (SPPI test) and classified them within the category that is consistent with the business model for managing these financial assets on the basis of facts and circumstances that existed at that date.

The classification and measurement requirements for financial assets that are equity instruments or debt instruments that do not meet the contractual cash flow characteristics (SPPI test) and financial liabilities remain unchanged from previous versions of IFRS 9.

The Group's classification of its financial assets and liabilities is explained in note 2.5. The impact on the classification of the Group's financial assets and their carrying values and equity is discussed in V below.

II. Expected Credit Losses

The adoption of IFRS 9 has fundamentally changed the Group's accounting for loan loss impairments by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts. The allowance is based on the ECLs associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in the ECLs over the life of the asset. Equity instruments are not subject to impairment under IFRS 9.

Details of the Group's impairment method are disclosed in note 2.5. The impact of the adoption of IFRS 9 impairment provisions on the Group's financial assets and their carrying values and equity is discussed in section V below.

III. IFRS 7 disclosures

IFRS 7 Financial Instruments: Disclosures, which was updated to reflect the differences between IFRS 9 and IAS 39, was also adopted by the Group together with IFRS 9, for the year beginning 1 January 2018. Changes include transition disclosures as shown in V below, and detailed qualitative and quantitative information about the ECL calculations such as assumptions and inputs used.

IV. Hedge accounting

The Group has early adopted hedge accounting requirements as issued in IFRS 9 (2013). These requirements were first published in November 2013 and remain unchanged in the July 2014 publication of IFRS 9, except to reflect the addition of the FVOCI measurement category to IFRS 9.

There is no impact on the financial statements as the Group does not have hedged items measured at FVOCI.

V. Transition

In accordance with the transition provisions of IFRS 9 (2014), the Group applied this standard retrospectively. The following tables set out the impact of adopting IFRS 9 (2014) on the consolidated statement of financial position, and retained earnings including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's ECLs.

Except for the financial statement captions listed in the below table, there have been no changes in the carrying amounts of assets and liabilities on application of IFRS 9 (2014) as at 1 January 2018.

	Classification under IFRS 9 (2010) (31 December 2017)			Re-measurement		Classification under IFRS 9 (2014) (1 January 2018)	
LL Million	Category	Amount	Reclassification	ECL	Other	Category	Amount
Financial assets							
Cash and balances with central banks	Amortized cost	24,630,491	-	(62,873)	-	Amortized cost	24,567,618
Due from banks and financial institutions	Amortized cost	3,563,253	-	(4,443)	-	Amortized cost	3,558,810
Loans to banks and financial institutions	Amortized cost	44,513	-	(281)	-	Amortized cost	44,232
Financial assets at fair value through profit or loss	FVPL	363,715	(4,178)	-	-	FVPL	359,537
Net loans and advances to customers at amortized cost	Amortized cost	11,335,975	-	(46,900)	-	Amortized cost	11,289,075
Net loans and advances to related parties at amortized cost	Amortized cost	28,145	-	(13)	-	Amortized cost	28,132
Debtors by acceptances	Amortized cost	150,791	-	(753)	-	Amortized cost	150,038
Financial assets at amortized cost	Amortized cost	7,856,375	-	(17,278)	-	Amortized cost	7,839,097
Financial assets at fair value through other comprehensive income	FVOCI	4,224	4,178	-	(2,192)	FVOCI	6,210
			-	**(132,541)**	**(2,192)**		
Non-financial liabilities							
Provisions for ECL on financial guarantees and commitments		3,457,686	-	(3,273)	-		3,454,413
Total impact of adoption of IFRS 9 (2014)			-	**(135,814)**	**(2,192)**		
Less: amount covered by excess provisions available on 1 January 2018			-	126,298	-		
Less: amount covered by provision for risks and charges			-	1,543	-		
Net impact on equity			**-**	**(7,973)**	**(2,192)**		

The increase in impairment allowances when measured in accordance with IFRS 9 expected credit losses model compared to IAS 39 incurred loss model amounts to LL 135,814 million and was covered partly by the Group's excess provisions. Accordingly, the impact on the Group's equity from the adoption of the IFRS 9 impairment requirements amounted to LL 7,973 million, out of which the share of non-controlling interests amounts to LL 351 million.

Total adjustments related to classification and measurements other than impairment will reduce opening "Change in fair value of financial assets at fair value through other comprehensive income" reserve by LL 2,192 million.

The following table reconciles the aggregate opening loan loss provision allowances under IAS 39 and provisions for loan commitments and financial guarantee contracts in accordance with IAS 37 Provision Contingent Liabilities and Contingent Assets to the ECL allowance under IFRS 9.

LL Million	Impairment allowance under IAS 39/IAS 37 at 31 December 2017	Re-measurement impact of IFRS 9	ECLs under IFRS 9 at 1 January 2018
Impairment allowance for			
Cash and balances with central banks	-	62,873	62,873
Due from banks and financial institutions	1,752	4,443	6,195
Loans to banks and financial institutions	-	281	281
Net loans and advances to customers at amortized cost	443,762	46,900	490,662
Net loans and advances to related parties at amortized cost	-	13	13
Debtors by acceptances	-	753	753
Financial assets at amortized cost	5,637	17,278	22,915
	451,151	**132,541**	**583,692**
Financial guarantees and other commitments	-	3,273	3,273
	451,151	**135,814**	**586,965**

IFRS 15 Revenue from contracts with customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. There were no significant impacts from the adoption of IFRS 15 on the consolidated financial statements of the Group.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. These amendments did not have a significant impact on the Group's consolidated financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of transaction for each payment or receipt of advance consideration. This Interpretation did not have a significant impact on the Group's consolidated financial statements.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2018, with the Group not opting for early adoption. These have therefore not been applied in preparing these consolidated financial statements. The most significant of these new standards, amendments and interpretations are as follows:

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, for periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group is currently assessing the impact of adopting IFRS 16 and expects an increase in its assets and liabilities with no material impact on its retained earnings.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
IFRIC 23 clarifies the application of IAS 12 to accounting for income tax treatments that have yet to be accepted by tax authorities, in scenarios where it may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept an entity's tax treatment. The effective date is 1 January 2019. The Group is currently assessing the impact of IFRIC 23 and does not expect it to have a material impact on the Group's financial statements.

IAS 12 – Income Taxes Amendments to IAS 12
As part of the Annual Improvements to IFRS Standards 2015–2017 Cycle, the IASB amended IAS 12 in order to clarify the accounting treatment of the income tax consequences of dividends. Effective from 1 January 2019 the tax consequences of all payments on financial instruments that are classified as equity for accounting purposes, where those payments are considered to be a distribution of profit, will be included in, and will reduce, the income statement tax charge. The Group does not expect that the adoption of this improvement will have a significant impact on the Group's financial statements.

IAS 19 – Employee Benefits Amendments to IAS 19
The IASB issued amendments to the guidance in IAS 19 Employee Benefits, in connection with accounting for plan amendments, curtailments and settlements. The amendments must be applied to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019. Adoption of the amendments is not expected to have significant impact on the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The consolidated financial statements are presented in Lebanese Pounds (LL) which is the Group's presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the date of the statement of financial position. All differences are taken to "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

Non–monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non–monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively).

(ii) Group companies

On consolidation, the assets and liabilities of subsidiaries and overseas branches are translated into the Bank's presentation currency at the rate of exchange as at the reporting date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated income statement.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at the exchange rate on the reporting date.

Financial instruments – Initial recognition

(i) Date of recognition

All financial assets and liabilities are initially recognized on the settlement date. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments

Financial instruments are initially measured at their fair value, plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. In the case of a financial instrument measured at fair value, with the change in fair value being recognized in profit or loss, the transaction costs are recognized as revenue or expense when the instrument is initially recognized.

When the fair value of financial instruments at initial recognition differs from the transaction price, the Group accounts for the Day 1 profit or loss, as described below.

(iii) Day 1 profit or loss
When the transaction price differs from the fair value at origination and the fair value is based on a valuation technique using only observable inputs in market transactions, the Group immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit or loss) in the consolidated income statement. In cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognized.

Financial assets – Classification and measurement
On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of two criteria:
(i) The business model within which financial assets are measured; and
(ii) Their contractual cash flow characteristics (whether the cash flows represent "solely payments of principal and interest" (SPPI)).

Financial assets are measured at amortized cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows, and their contractual cash flows represent SPPI.

Financial assets are measured at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and their contractual cash flows represent SPPI.

All other financial assets are classified as measured at fair value through profit or loss.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

On initial recognition, the Group may irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group is required to disclose such financial assets separately from those mandatorily measured at fair value.

Business model
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to Management.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

- The expected frequency, value and timing of sales are also important aspects of the Group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

The Group's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the Group needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the Group's business model for managing those financial assets changes, the Group is required to reclassify financial assets.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at fair value though profit and loss.

Financial assets at amortized cost

Balances with central banks, Due from banks and financial institutions, Loans to banks and financial institutions and Net loans and advances to customers and related parties – at amortized cost and Finance assets at amortized cost. These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at amortized cost using the EIR, less expected credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "interest and similar income" in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in "Net impairment losses on financial assets". Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under "Net (loss) gain from derecognition of financial assets at amortized cost" in the consolidated income statement.

Financial assets at fair value through other comprehensive income

These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment. After initial measurement, these are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for debt instruments at fair value through other comprehensive income is explained below. On derecognition, cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss.

Equity instruments at fair value through other comprehensive income
Upon initial recognition, the Group can elect to classify irrevocably some of its investments in equity instruments at fair value through other comprehensive income when they are not held for trading. Such classification is determined on an instrument-by-instrument basis.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Dividends on these investments are recognised under "Revenue from financial assets at fair value through other comprehensive income" in the consolidated income statement when the Group's right to receive payment of dividend is established in accordance with IFRS 15: "Revenue from contracts with customers", unless the dividends clearly represent a recovery of part of the cost of the investment. Equity instruments at fair value through other comprehensive income are not subject to an impairment assessment.

Financial assets at fair value through profit or loss
Included in this category are those debt instruments that do not meet the conditions in "financial assets at amortized cost" and "financial assets at fair value through other comprehensive income" above, debt instruments designated at fair value through profit or loss upon initial recognition, and equity instruments at fair value through profit or loss. Management only designates a financial asset at fair value through profit and loss upon initial recognition when the designation eliminates, significantly reduces, the inconsistent treatment that would otherwise arise from measuring assets or recognizing gains and losses on them on a different basis.

Debt instruments at fair value through profit or loss
These financial assets are recorded in the consolidated statement of financial position at fair value. Transaction costs directly attributable to the acquisition of the instrument are recognized as revenue or expense when the instrument is initially recognized. Changes in fair value and interest income are recorded under "Net gain from financial assets at fair value through profit or loss" in the consolidated income statement. Gains and losses arising from the derecognition of debt instruments and other financial assets at fair value through profit or loss are also reflected under "Net gain from financial assets at fair value through profit or loss" in the consolidated income statement, showing separately those related to financial assets designated at fair value upon initial recognition from those mandatorily measured at fair value.

Equity instruments at fair value through profit or loss
Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income. These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividend income are recorded under "Net gain on financial assets at fair value through profit or loss" in the consolidated income statement. Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under "Net gain from financial assets at fair value through profit or loss" in the consolidated income statement.

Financial liabilities (other than financial guarantees, letters of credit and loan commitments) – Classification and measurement

Liabilities are initially measured at fair value plus, in the case of a financial liability not at fair value through profit or loss, particular transaction costs. Liabilities are subsequently measured at amortized cost or fair value.

The Group classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method, except for:
- Financial liabilities at fair value through profit or loss (including derivatives);
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; and
- Contingent consideration recognized in a business combination in accordance with IFRS 3.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when:

- Doing so results in more relevant information, because it either eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- A group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's Key Management Personnel; or
- A group of financial liabilities contains one or more embedded derivatives, unless they do not significantly modify the cash flows that would otherwise be required by contract, or it is clear with little or no analysis when a similar instruments is first considered that separation of the embedded derivatives is prohibited.

Financial liabilities at fair value though profit and loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in profit and loss with the exception of movements in fair value of liabilities designated at fair value though profit and loss due to changes in the Group's own credit risk. Such changes in fair value are recognized in other comprehensive income, unless such recognition would create an accounting mismatch in the consolidated income statement. Changes in fair value attributable to changes in credit risk do not get recycled to the consolidated income statement.

Interest incurred on financial liabilities designated at fair value through profit and loss is accrued in interest expense using the EIR, taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument.

Debt issued and other borrowed funds
Financial instruments issued by the Group, which are not designated at fair value through profit or loss, are classified under "Debt issued and other borrowed funds" where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

Due to central banks, Banks and financial institutions, Repurchase agreements and Customers' and related parties' deposits
After initial measurement, due to central banks, banks and financial institutions, and customers' and related parties' deposits are measured at amortized cost less amounts repaid using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate method. Customer deposits which are linked to the performance of indices or commodities are subsequently measured at fair value through profit or loss.

Derivatives recorded at fair value through profit or loss
A derivative is a financial instrument or other contract with all three of the following characteristics:
a) Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (aka the "underlying").
b) It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
c) It is settled at a future date.

The Group enters into derivative transactions with various counterparties. These include interest rate swaps, forward foreign exchange contracts, equity swaps and options and currency options.
Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. The notional amount and fair value of such derivatives are disclosed separately in the notes. Changes in the fair value of derivatives are recognized in "Net gain from financial assets at fair value through profit or loss" in the consolidated income statement, unless hedge accounting is applied, which is discussed in under "hedge accounting policy" below.

Embedded Derivatives
An embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that otherwise would be required by the contract to be modified according to a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract. A derivative that is attached to a financial instrument, but is contractually transferable independently of that instrument, or has a different counterparty from that instrument, is not an embedded derivative, but a consolidated financial instrument.

An embedded derivative is separated from the host and accounted for as a derivative if, and only if:
(a) The hybrid contract contains a host that is not an asset within the scope of IFRS 9;

(b) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
(c) A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
(d) The hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

Financial guarantees, Letters of credit and undrawn loan commitments
Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the consolidated income statement, and an ECL provision. The premium received is recognized in the income statement in "Net fees and commission income" on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these contracts are in the scope of ECL requirements.

The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments are not recorded in the statement of financial position. The nominal values of these instruments together with the corresponding ECLs are disclosed in the notes.

Reclassification of financial assets
The Group reclassifies financial assets if the objective of the business model for managing those financial assets changes. Such changes are expected to be very infrequent and are determined by the Group's Senior Management as a result of external or internal changes when significant to the Group's operations and demonstrable to external parties.

If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification of financial assets. Any previously recognized gains, losses or interest are not restated.

If a financial asset is reclassified so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognized in profit or loss. If a financial asset is reclassified so that it is measured at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

(i) Derecognition due to substantial modification of terms and conditions
If the terms of a financial asset are modified, then the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Group plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below).

If the modification of a financial asset measured at amortized cost or fair value through other comprehensive income does not result in derecognition of the financial asset, then the Group first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest rate method.

(ii) Derecognition other than for substantial modification
A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the financial asset have expired. The Group also derecognizes the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:
- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- The Group retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement.

Pass-through arrangements are transactions whereby the Group retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:
- The Group has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates;
- The Group cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Group has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Group is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:
- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognized only to the extent of the Group's continuing involvement, in which case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Group could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Group would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the consolidated income statement, as "other operating income" or "other operating expenses".

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding consideration received (cash collateral provided) is recognized in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within "Repurchase agreements", reflecting the transaction's economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the statement of financial position. The consideration paid (cash collateral provided), including accrued interest is recorded in the statement of financial position, reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in "Net interest income" and is accrued over the life of the agreement using the EIR. If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within "Financial liabilities at fair value through profit or loss" and measured at fair value with any gains or losses included in "Net gain from financial instruments at fair value through profit or loss" in the income statement.

Impairment of financial assets (Policy applicable from 1 January 2018)

(i) Overview of the ECL principles

As described in note 2.3, the adoption of IFRS 9 has fundamentally changed the Group's loan loss impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2018, the Group has been recording the allowance for expected credit losses for all loans and other financial assets not held at fair value through profit or loss, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which cases, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

(ii) Measurement of ECLs

The Group measures ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover.

The key inputs into the measurements of ECL are:

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and expected drawdowns on committed facilities.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

These parameters are generally derived from statistical models and other historical data. Forward looking information is incorporated in ECL measurements.

The Group measures ECLs using a three-stage approach based on the extent of credit deterioration since origination:

- Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months.

For these instruments with a remaining maturity of less than 12 months, probability of default corresponding to remaining term to maturity is used.

- Stage 2 – When a financial instrument experiences a SICR subsequent to origination but is not considered to be impaired, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.
- Stage 3 – Financial instruments that are considered to be impaired are included in this stage, the allowance for credit losses captures the lifetime expected credit losses, similar to Stage 2.

(iii) Forborne and modified loans

The Group sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties, rather than taking possession or to otherwise enforce collection of collateral. The Group considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Group would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants, or significant concerns raised by the Credit Risk Department. Forbearance may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original EIR as calculated before the modification of terms. It is the Group's policy to monitor forborne loans to help ensure that future payments continue to be likely to occur. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off.

From 1 January 2018, when the loan has been renegotiated or modified but not derecognized, the Group also reassesses whether there has been a significant increase in credit risk. The Group also considers whether the assets should be classified as Stage 3. Once an asset has been classified as forborne, it will remain forborne for a minimum 12-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- At least a 12-month probation period has passed,
- Three consecutive payments under the new repayment schedule have been made,
- The borrower has no past dues under any obligation to the Group,
- All the terms and conditions agreed to as part of the restructuring have been met.

If modifications are substantial, the loan is derecognized, as explained above.

(iv) Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at fair value through other comprehensive income are credit-impaired (referred to as "Stage 3 financial assets"). A financial asset is "credit impaired" when one or more events that have detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable information:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

(v) Write offs

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to "Net impairment losses on financial assets".

(vi) Debt instruments at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

(vii) Collateral repossessed

The Group's accounting policy under IFRS 9 remains the same as it was under IAS 39. The Group occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently, these properties are measured at the lower of carrying value or net realizable value.

Upon sale of repossessed assets, any gain or loss realized is recognized in the consolidated income statement under "other operating income" or "other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "Reserve for increase of share capital" in the following financial year.

Impairment of financial assets (Policy applicable before 1 January 2018)

The Group assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganization default or delinquency in interest or principal payments, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets at amortized cost

For financial assets carried at amortized cost (such as due from banks and financial institutions, debt instruments at amortized cost, loans and advances to customers and related parties), the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs of obtaining and selling the collateral, whether or not the foreclosure is probable.

Loans, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized; the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "Net impairment losses on financial assets" in the consolidated income statement.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Renegotiated loans
Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. The loans continue to be subject to an individual impairment assessment, calculated using the loan's original effective interest rate.

(iii) Collateral repossessed
The Group occasionally acquires properties in settlement of loans and advances. Upon initial recognition, those assets are measured at fair value as approved by the regulatory authorities. Subsequently, these properties are measured at the lower of carrying value or net realizable value.

Upon sale of repossessed assets, any gain or loss realized is recognised in the consolidated income statement under "other operating income" or "other operating expenses". Gains resulting from the sale of repossessed assets are transferred to "Reserve for increase of share capital" in the following financial year.

Fair value measurement

The Group measures financial instruments, such as, derivatives, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, at fair value at each consolidated statement of financial position date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the notes.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for recurring fair value measurement, such as unquoted financial assets.
At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as

per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Hedge accounting

In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria. The Group makes use of derivative instruments to manage exposures to foreign currency risk and interest rate fluctuations. The process starts with identifying the hedging instrument and hedged item and preparing hedge documentation detailing the risk management strategy and objective.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

Qualifying hedging relationships

The Group applies hedge accounting for qualifying hedging relationships. A hedging relationship qualifies for hedge accounting only if: (a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items; (b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge; and (c) the hedging relationship meets all of the hedge effectiveness requirements.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis in order to qualify for hedge accounting. The effectiveness test can be performed qualitatively or quantitatively. A formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item, both at inception and at each quarter on an ongoing basis. A hedge is expected to be highly effective if:

- There is an economic relationship between the hedged item and the hedging instrument;
- The effect of credit risk does not dominate the value changes that result from that economic relationship; and
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. However, that designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

(i) Fair value hedges

For qualifying fair value hedges, the gain or loss on the hedging instrument is recognized in the consolidated income statement under "Net gain from financial assets at fair value through profit or loss". Hedging gain or loss on the hedged item adjusts the carrying amount of the hedged item and is recognized in the consolidated income statement also under "Net gain from financial assets at fair value through profit or loss".

(ii) Cash flow hedges

For qualifying cash flow hedges, a consolidated component of equity associated with the hedged item (cash flow hedge reserve) is adjusted to the lower of the following (in absolute amounts):

a) The cumulative gain or loss on the hedging instrument from inception of the hedge; and
b) The cumulative change in fair value (present value) of the hedged item from inception of the hedge.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge (the portion that is offset by the change in the cash flow hedge reserve described above) shall be recognized in other comprehensive income. Any remaining gain or loss on the hedging instrument is hedge ineffectiveness that shall be recognized in the consolidated income statement. The amount that has been accumulated in the cash flow hedge reserve and associated with the hedged item is treated as follows:

a) If a hedged forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the Group removes that amount from the cash flow hedge reserve and includes it directly in the initial cost or other carrying amount of the asset or the liability without affecting other comprehensive income.

b) For cash flow hedges other than those covered by a), that amount is reclassified from the cash flow hedge reserve to profit or loss as a reclassification adjustment in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if that amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it immediately reclassifies the amount that is not expected to be recovered into profit or loss as a reclassification adjustment.

(iii) Hedge of net investments

Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the income statement. On disposal or partial disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in the foreign currency translation reserve is transferred to the consolidated income statement as a reclassification adjustment.

Leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that asset is not explicity specified in an arrangement.

Bank as a lessee

Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term. Contingent rental payables are recognized as an expense in the period in which they are incurred.

Bank as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest and similar income and expense

The effective interest rate

Interest income and expense are recognized in the income statement applying the EIR method for all financial instruments measured at amortised cost, financial instruments designated at fair value through profit or loss and interest bearing financial assets measured at fair value through other comprehensive income.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the EIR for financial instruments other than purchased or originated credit impaired, an entity shall take into account all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. For purchased or originated credit impaired financial assets, a credit adjusted effective interest rate is calculated using estimated future cash flows and expected credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income and interest expense

The effective interest rate of a financial asset or a financial liability is calculated on initial recognition of the financial asset or financial liability. In determining interest income and expense, the EIR is applied to the gross carrying amount of the financial asset (unless the asset is credit-impaired) or the amortized cost of a financial liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts, unless the financial instrument is measured at fair value, with the change in fair value being recognized in profit or loss. In those cases, the fees are recognized as revenue or expense when the instrument is initially recognized.

When a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net amortized cost of the instrument. If the financial asset cures and is no longer credit-impaired, the Group reverts back to calculating interest income on a gross basis. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the amortized cost of the instrument. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Interest income and expense on financial instruments measured at fair value through profit or loss are presented under "Net gain on financial assets at fair value through profit or loss" in the consolidated income statement.

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the EIR on the loan. When it is unlikely that a loan be drawn down, the loan commitment fees are recognized as revenues on expiry.

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fee or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Fee income from providing transaction services

Fee arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fee or components of fee that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

(iii) Dividend income

Dividend income is recognized when the right to receive the payment is established.

(iv) Net gain from financial instruments at fair value through profit or loss

Net income from financial instruments at fair value through profit or loss comprises gains and losses related to trading assets and liabilities and financial assets designated as at fair value through profit or loss. The line item includes fair value changes, interest, dividends and foreign exchange differences.

(v) Insurance revenue

For the insurance subsidiaries, net premiums and accessories (gross premiums) are taken to income over the terms of the policies to which they relate using the prorate temporize method for non-marine business and 25% of gross premiums for marine business. Unearned premiums reserve represents the portion of the gross premiums written relating to the unexpired period of coverage. If the unearned premiums reserve is not considered adequate to cover future claims arising on these premiums a premium deficiency reserve is created.

Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprise balances with original maturities of a period of three months or less including: cash and balances with the central banks, deposits with banks and financial institutions, due to central banks, repurchase agreements and due to banks and financial institutions.

Property and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is calculated using the straight line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

Buildings	50 years
Furniture, office installations and computer equipment	(2– 16.67) years
Vehicles	6.67 years

Any item of property and equipment and any significant part initially recognized are is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement when the asset is derecognized.

The asset's residual lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if applicable.

Assets obtained in settlement of debt

Assets obtained in settlement of debt are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, management has committed to the sale, and the sale is expected to have been completed within one year from the date of classification.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group makes an acquisition meeting the definition of a business under IFRS 3, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured until it is finally settled within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with IFRS 8 "Operating segments".

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets
An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite of indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated income statement.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated income statement when the asset is derecognized.

The Group does not have intangible assets with indefinite economic life.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

• Key money	lower of lease period or 5 years
• Software development	2.5 years

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement, unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions for risks and charges

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

The Group operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations. As a result, it is involved in various litigation, arbitration and regulatory investigations and proceedings both in Lebanon and in other jurisdictions, arising in the ordinary course of the Group's business.

When the Group can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Group records a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed. However, when the Group is of the opinion that disclosing these estimates on a case-by-case basis would prejudice their outcome, then the Group does not include detailed, case-specific disclosers in its consolidated financial statements.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Group takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

Employees' end-of-service benefits

For the Group and its subsidiaries operating in Lebanon, end-of-service benefit subscriptions paid and due to the National Social Security Fund (NSSF) are calculated on the basis of 8.5% of the staff salaries. The final end-of-service benefits due to employees after completing 20 years of service, at the retirement age, or if the employee permanently leaves employment, are calculated based on the last salary multiplied by the number of years of service. The Group is liable to pay to the NSSF the difference between the subscriptions paid and the final end-of-service benefits due to employees. The Group provides for end-of-service benefits on that basis.

End-of-service benefits for employees at foreign branches and subsidiaries are accrued for in accordance with the laws and regulations of the respective countries in which the branches and subsidiaries are located.

Taxes

Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated statement of financial position date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the consolidated statement of financial position date.

Current tax and deferred tax relating to items recognized directly in other comprehensive income are also recognized in other comprehensive income and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Treasury shares

Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase sale, issue or cancellation of the Group's own equity instruments is recognized directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Group holds own equity instruments on behalf of its clients, those holdings are not included in the Group's consolidated statement of financial position.

Contracts on own shares that require physical settlement of a fixed number of own shares for a fixed consideration are classified as equity and added to or deducted from equity. Contracts on own shares that require net cash settlement or provide a choice of settlement are classified as trading instruments and changes in the fair value are reported in the consolidated income statement.

Assets held in custody and under administration

The Group provides custody and administration services that result in the holding or investing of assets on behalf of its clients. Assets held in custody or under administration, are not treated as assets of the Group and accordingly are recorded as off-balance sheet items.

Dividends on common shares

Dividends on common shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

Customers' acceptances

Customers' acceptances represent term documentary credits which the Group has committed to settle on behalf of its clients against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the consolidated statement of financial position for the same amount.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognised in the consolidated financial statements:

Impairment of goodwill

Management judgment is required in estimating the future cash flows of the CGUs. These values are sensitive to cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the term sustainable pattern of cash flows thereafter. While the acceptable range within which underlying assumptions can be applied is governed by the requirement for resulting forecasts to be compared with actual performance and verifiable economic data in future years, the cash flow forecasts necessarily and appropriately reflect Management's view of future business prospects.

Business model

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- How management evaluates the performance of the portfolio;
- Whether management's strategy focuses on earning contractual interest revenues;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual cash flows of financial assets

The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on the going concern basis.

Deferred tax assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, estimation is required to establish fair values. The judgments and estimates include considerations of liquidity and model inputs such as credit risk (both own and counterparty) funding value adjustments, correlation and volatility.

Impairment losses on financial instruments (Applicable after 1 January 2018)

The measurement of impairment losses across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal credit grading model;
- The Group's criteria for assessing if there has been a significant increase in credit risk;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs and their impact on ECL calculation; and
- Selection of forward-looking macroeconomic scenarios and their probability of occurrence, to derive the ECL models.

It has been the Group's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Impairment losses on loans and advances (Applicable before 1 January 2018)

The Group reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgment by Management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan to collateral ratios etc.), concentrations of risks and economic data (including levels of unemployment, real estate price indices, country risk and the performance of different individual groups).

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group.

Pensions Obligation

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are highly sensitive to changes in these assumptions.

4. GROUP INFORMATION

The consolidated financial statements of the Group comprise the financial statements of BLOM BANK S.A.L. and the following subsidiaries:

Name	Country of incorporation	Activities	% effective equity interest	
			31 December 2018 %	31 December 2017 %
BLOM BANK FRANCE S.A	France	Banking activities	99.998	99.998
BLOM BANK (Switzerland) S.A	Switzerland	Banking activities	99.998	99.998
BLOMINVEST BANK S.A.L.	Lebanon	Banking activities	99.920	99.920
BLOM DEVELOPMENT BANK S.A.L.	Lebanon	Islamic banking activities	99.912	99.918
AROPE INSURANCE S.A.L.	Lebanon	Insurance activities	89.048	89.039
BLOM BANK EGYPT S.A.E.	Egypt	Banking activities	99.419	99.419
BLOM EGYPT SECURITIES S.A.E.	Egypt	Brokerage activities	99.665	99.665
BLOMINVEST – SAUDI ARABIA	Saudi Arabia	Financial institution	59.960	59.960
BLOM BANK QATAR L.L.C.	Qatar	Banking activities	99.750	99.750
AROPE LIFE INSURANCE Egypt S.A.E.	Egypt	Insurance activities	91.123	91.116
AROPE INSURANCE of Properties and Responsibilities Egypt S.A.E.	Egypt	Insurance activities	93.197	93.192
BLOM SECURITIES	Jordan	Financial institution	100.000	100.000
BLOM ASSET MANAGEMENT COMPANY S.A.L.	Lebanon	Asset Management	99.997	99.997
BLOM EGYPT INVESTMENTS S.A.E.	Egypt	Asset Management	99.677	99.677

5. MATERIAL PARTLY - OWNED SUBSIDIARIES

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interests held by non-controlling interests:

(%)	2018	2017
BLOMINVEST – Saudi Arabia	40.04	40.04
AROPE INSURANCE SAL	10.952	10.961

Profit allocated to material non-controlling interests:

LL Million	2018	2017
BLOMINVEST – Saudi Arabia	1,738	1,347
AROPE INSURANCE SAL	3,283	3,062

The summarized financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations:

Summarized statement of comprehensive income

	BLOMINVEST – Saudi Arabia		AROPE INSURANCE SAL	
LL Million	2018	2017	2018	2017
Net interest income	358	370	27,659	23,254
Net fee and commission income	9,513	10,779	31,985	30,828
Net gain (loss) from financial instruments at fair value through profit or loss	689	(382)	56	154
Revenue from financial assets at fair value through other comprehensive income	429	-	-	-
Other operating income	1,136	-	863	389
Total operating income	**12,125**	**10,767**	**60,563**	**54,625**
Net impairment (recovery of impairment) losses on financial assets	-	-	1,324	(74)
Total operating expenses	(7,424)	(7,019)	(29,434)	(24,022)
Net (loss) gain on disposal of other assets	(19)	87	-	(1)
Profit before tax	**4,682**	**3,835**	**32,453**	**30,528**
Income tax expense	(342)	(470)	(2,476)	(2,594)
Profit for the year	**4,340**	**3,365**	**29,977**	**27,934**
Attributable to non-controlling interests	1,738	1,347	3,283	3,062

Summarized statement of financial position

LL Million	BLOMINVEST – Saudi Arabia		AROPE INSURANCE S.AL	
	2018	2017	2018	2017
Assets				
Cash and balances with banks	1	10	51	32
Due from banks and financial institutions	3,106	14,455	96,087	323,929
Due from head office and sister banks	393	179	346,147	93,812
Financial assets at fair value through profit or loss	53,391	54,872	4,185	7,975
Net loans and advances at amortized cost	-	-	31,280	25,898
Financial assets at amortized cost	9,215	5,152	15,574	15,749
Financial assets at fair value through other comprehensive income	11,825	-	-	-
Investments in subsidiaries and associates	-	-	36,542	36,542
Property and equipment	18,325	23,478	23,573	24,989
Intangible assets	182	78	655	345
Other assets	49,986	42,160	58,069	80,350
Total assets	**146,424**	**140,384**	**612,163**	**609,621**
Liabilities				
Other liabilities	15,875	12,938	334,726	338,981
Provisions for risks and charges	904	705	51,512	57,559
Total liabilities	**16,779**	**13,643**	**386,238**	**396,540**
Total shareholders' equity	**129,645**	**126,741**	**225,925**	**213,081**
Attributable to non-controlling interests	51,870	50,708	24,742	23,355
Total liabilities and shareholders' equity	**146,424**	**140,384**	**612,163**	**609,621**

Summarized cash flow information

LL Million	BLOMINVEST – Saudi Arabia		AROPE INSURANCE SAL	
	2018	2017	2018	2017
Operating	(9,598)	(229,845)	21,265	19,390
Investing	(59,378)	15,139	(28,320)	(36,854)
Financing	-	-	(13,777)	(21,277)
	(68,976)	**(214,706)**	**(20,832)**	**(38,741)**

6. SEGMENTAL INFORMATION

The Group operates in four major business segments: retail; corporate; treasury and asset management and private banking.

Treasury

Is mostly responsible for the liquidity management and market risk of the Group as well as managing the Group's own portfolio of stocks, bonds and other financial instruments. In addition, this segment provides treasury and investments products and services to investors and other institutional customers.

Corporate banking

Provides a comprehensive product and service offering to corporate and institutional customers, including loans and other credit facilities, deposits and current accounts, trade finance and foreign exchange operations.

Retail banking

Provides a diversified range of products and services to meet the personal banking and consumer finance needs of individuals. The range includes deposits, housing loans, consumer loans, credit cards, fund transfers, foreign exchange and other branch related services.

Asset management and private banking

Provides investment products and services to institutional investors and intermediaries.

Management monitors the operating results of its business segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on net operating income. Income taxes, total operating expenses and net loss on disposal of fixed assets are managed on a group basis and are not allocated to operating segments.

Interest income is reported net since Management primarily relies on net interest revenue as performance measure, not the gross revenue and expense amounts.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

The following table presents net operating income, total assets and total liabilities information in respect of the Group's reportable segments:

Profit for the year information

	2018					
LL Million	Treasury	Corporate banking	Retail banking	Asset management and private banking	Unallocated*	Total
Net interest income	805,689	240,236	215,753	5,439	-	1,267,117
Net fee and commission income	44,981	47,536	67,373	20,521	34,445	214,856
Net gain from financial instruments at fair value through profit or loss	2,786	-	31,985	-	-	34,771
Net loss from sale of financial assets at amortized cost	(5,498)	-	-	-	-	(5,498)
Revenue from financial assets at fair value through other comprehensive income	917	-	-	-	-	917
Other operating income	6,493	1,798	28,430	-	-	36,721
Net impairment losses on financial assets	2,415	4,822	(24,051)	-	-	(16,814)
Net operating income	**857,783**	**294,392**	**319,490**	**25,960**	**34,445**	**1,532,070**
Extracts of results						
Depreciation and amortization						(39,560)
Unallocated expenses						(542,056)
Income tax expense						(179,184)
Profit for the year						**771,270**

	2017					
LL Million	Treasury	Corporate banking	Retail banking	Asset management and private banking	Unallocated*	Total
Net interest income	696,878	205,984	207,957	1,175	-	1,111,994
Net fee and commission income	40,155	40,547	65,155	43,159	16,761	205,777
Net gain from financial instruments at fair value through profit or loss	6,220	-	31,833	-	-	38,053
Net gain from sale of financial assets at amortized cost	60,420	-	-	-	-	60,420
Revenue from financial assets at fair value through other comprehensive income	340	-	-	-	-	340
Other operating income	108,748	1,422	19,223	-	-	129,393
Net impairement losses on financial assets	-	3,259	(22,360)	-	-	(19,101)
Net operating income	**912,761**	**251,212**	**301,808**	**44,334**	**16,761**	**1,526,876**
Extracts of results						
Depreciation and amortization						(37,371)
Unallocated expenses						(578,138)
Income tax expense						(179,820)
Profit for the year						**731,547**

(*) "Unallocated" include insurance premiums' commissions from insurance subsidiaries.

Financial position information

	2018					
LL Million	Treasury	Corporate banking	Retail banking	Asset management and private banking	Other**	Total
Total assets	43,345,159	6,388,913	4,539,527	64,375	1,048,564	**55,386,538**
Total liabilities	39,292,401	5,791,552	4,115,082	74,785	1,185,427	**50,459,247**

	2017					
LL Million	Treasury	Corporate banking	Retail banking	Asset management and private banking	Other**	Total
Total assets	36,482,970	6,556,237	4,824,781	133,951	1,062,165	**49,060,104**
Total liabilities	32,827,463	5,899,318	4,341,349	133,723	1,327,630	**44,529,483**

(**) Other includes activities related to property and equipment, intangible assets, assets obtained in settlement of debt, other assets and goodwill.

Geographic information

The Group operates in two geographic markets based on the location of its markets and customers. The domestic market represents the Lebanese market, and the international market represents markets outside Lebanon. The following table shows the distribution of the Group's external net operating income and non-current assets.

	2018		
LL Million	Domestic	International	Total
Total operating income	1,393,054	155,830	1,548,884
Net impairement losses on financial assets	(19,396)	2,582	(16,814)
Net operating income[1]	**1,373,658**	**158,412**	**1,532,070**
Non-current assets[2]	**599,716**	**269,360**	**869,076**

	2017		
LL Million	Domestic	International	Total
Total operating income	1,412,111	133,866	1,545,977
Net impairement losses on financial assets	(8,770)	(10,331)	(19,101)
Net operating income[1]	**1,403,341**	**123,535**	**1,526,876**
Non-current assets[2]	**591,503**	**271,221**	**862,724**

[1] Net operating income is attributed to the geographical segment on the basis of the location where the income is generated.
[2] Non-current assets consist of property and equipment, intangible assets, assets obtained in settlement of debt and goodwill.

7. INTEREST AND SIMILAR INCOME

LL Million	2018	2017
Balances with central banks	2,000,666	1,205,073
Due from banks and financial institutions	86,519	74,445
Reverse repurchase agreements	2,006	1,604
Loans and advances to customers at amortized cost	884,699	814,806
Loans and advances to related parties at amortized cost	1,220	1,320
Financial assets at amortized cost	548,564	709,146
Less: tax on interest income (*)	(158,292)	(22,870)
	3,365,382	**2,783,524**

(*) Tax on interest income for the years ended 31 December 2018 and 2017 are as follows:

LL Million	2018	2017
Balances with central banks	135,178	18,752
Due from banks and financial institutions	389	14
Reverse repurchase agreements	140	1
Loans and advances to customers at amortized cost	3	-
Financial assets at amortized cost	22,582	4,103
	158,292	**22,870**

8. INTEREST AND SIMILAR EXPENSE

LL Million	2018	2017
Due to central banks	84,843	13,625
Due to banks and financial institutions	26,495	27,889
Customers' deposits at amortized cost	1,954,511	1,622,011
Deposits from related parties at amortized cost	8,291	8,005
Debt issued and other borrowed funds	24,125	-
	2,098,265	**1,671,530**

9. NET FEE AND COMMISSION INCOME

LL Million	2018	2017
Fee and commission income		
General banking income	48,255	45,555
Credit-related fees and commissions	37,491	38,689
Insurance brokerage income	40,197	35,003
Trade finance	30,324	24,624
Brokerage and custody income	17,661	19,783
Electronic banking	68,763	56,503
Asset management and private banking	18,130	25,421
Trust and fiduciary activities	3,358	1,680
Other fees and commissions	13,810	15,758
	277,989	**263,016**
Fee and commission expense		
General banking Expenses	(6,633)	(7,080)
Credit-related fees and commissions	(1,921)	(1,432)
Insurance brokerage fees	(19,677)	(18,242)
Brokerage and custody fees	(2,348)	(2,256)
Electronic banking	(27,899)	(21,444)
Other fees and commissions	(4,655)	(6,785)
	(63,133)	**(57,239)**
	214,856	**205,777**

10. NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

LL Million	2018	2017
Interest and similar income from debt instruments and other financial assets at fair value through profit or loss		
Treasury bills and bonds	3,857	4,468
Corporate debt securities	373	740
Certificates of deposit	-	146
Funds	508	359
	4,738	**5,713**
Net (loss) gain from sale of debt instruments and other financial assets at fair value through profit or loss		
Treasury bills and bonds	(247)	(1,197)
Corporate debt securities	(3)	330
Certificates of deposit	-	45
Funds	(134)	1,594
Options	(42)	(15)
Equity instruments	11	588
	(415)	**1,345**
Net unrealized loss from revaluation of debt instruments and other financial assets at fair value through profit or loss		
Treasury bills and bonds	(7,907)	1,302
Corporate debt securities	(317)	142
Certificates of deposit	-	(47)
Funds	(1,664)	(1,556)
Equity instruments	(788)	(9,723)
	(10,676)	**(9,882)**
Dividend income		
Equity instruments	8,884	7,544
Funds	204	67
	9,088	**7,611**
Foreign exchange income	**32,036**	**33,266**
	34,771	**38,053**

Foreign exchange income includes gains and losses from spot and forward contracts, other currency derivatives and the revaluation of the daily open trading and structural positions.

11. NET (LOSS) GAIN FROM SALE OF FINANCIAL ASSETS AT AMORTIZED COST

The Group derecognises some debt instruments classified at amortized cost due to the following reasons:
- Deterioration of the credit rating below the ceiling allowed in the Group's investment policy;
- Liquidity gap and yield management;
- Exchange of financial assets by the Central Bank of Lebanon;
- Currency risk management as a result of change in the currency base of deposits; or
- Liquidity for capital expenditures.

The schedule below details the gains and losses arising from derecognition of these financial assets:

	2018		
LL Million	Gains	Losses	Total
Lebanese sovereign and Central Bank of Lebanon			
Certificates of deposit	-	(5,200)	(5,200)
Treasury bills and bonds	67	(1,052)	(985)
	67	**(6,252)**	**(6,185)**
Other sovereign			
Treasury bills and bonds	**715**	**-**	**715**
Private sector and other securities			
Corporate debt securities	**371**	**(399)**	**(28)**
	1,153	**(6,651)**	**(5,498)**

	2017		
LL Million	Gains	Losses	Total
Lebanese sovereign and Central Bank of Lebanon			
Certificates of deposit	57,435	-	57,435
Treasury bills and bonds	14,841	(15,363)	(522)
	72,276	**(15,363)**	**56,913**
Other sovereign			
Treasury bills and bonds	**9**	**-**	**9**
Private sector and other securities			
Corporate debt securities	**4,247**	**(749)**	**3,498**
	76,532	**(16,112)**	**60,420**

12. OTHER OPERATING INCOME

LL Million	2018	2017
Write back of provisions for risks and charges (note 36)	16,971	4,312
Write back of provisions for assets taken in settlement of debt (note 28)	352	749
Release of provisions for risks and charges (note 36)	-	105,552
Gain from sale of assets obtained in settlement of debt	-	1,662
Other income	19,398	17,118
	36,721	**129,393**

13. NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

LL Million	2018	2017
New and increased impairment allowances		
Loans and advances to customers at amortized cost- Commercial loans	84,934	17,097
Loans and advances to customers at amortized cost- Consumer loans	58,357	37,419
Financial assets at amortized cost	4	-
Financial guarantees and commitments	44	-
Debtors by acceptances	11	-
Commitment by signature (note 36)	-	78
	143,350	**54,594**
Recoveries		
Loans and advances to customers at amortized cost- Commercial loans	(77,414)	(6,999)
Loans and advances to customers at amortized cost- Consumer loans	(34,305)	(13,371)
Unrealized interest on loans and advances to customers at amortized cost	-	(7,563)
Financial assets at amortized cost	(23)	-
Banks and financial institutions	(2,397)	-
Financial guarantees and commitments	(198)	-
	(114,337)	**(27,933)**
Recoveries of debts previously written off	(11,349)	(7,560)
Recoveries of sundry debtors (note 29)	(850)	-
	16,814	**19,101**

14. PERSONNEL EXPENSES

LL Million	2018	2017
Salaries and related charges	166,090	150,888
Social security contributions	32,520	31,743
Provisions for retirement benefits obligation (note 36)	10,507	4,923
Additional allowances	50,577	46,108
Bonuses	88,601	83,956
	348,295	**317,618**

15. OTHER OPERATING EXPENSES

LL Million	2018	2017
Professional fees	25,213	20,727
Marketing and advertising	19,203	18,132
Provision for guarantee of deposits	16,114	15,844
Maintenance and repairs	15,841	16,185
Gifts and donations	12,322	10,495
Provision for risks and charges (note 36)	10,785	859
Postage and telecommunications	10,374	10,185
Rent and related charges	9,244	10,211
Taxes and fees	8,394	6,392
Information technology	7,852	4,046
Electricity and fuel	6,703	5,771
Fiscal stamps	6,587	6,744
Guarding and transportation expenses	5,281	4,938
Subscriptions	5,659	5,883
Stationary and printings	4,677	6,488
Card expenses	4,666	4,132
Travel expenses	3,120	3,248
Board of directors' attendance fees	2,423	2,164
Provision on impairment of assets taken in settlement of debt (note 28)	2,324	110
Insurance	1,868	1,614
Entertainment expenses	1,691	1,794
Loss on bad debts against real estate (a)	-	4,886
Others	12,165	9,549
	192,506	**170,397**

(a) The Board of Directors of BLOM BANK S.A.L. and BLOMINVEST BANK S.A.L. approved on 13 July 2017 and 12 July 2017 respectively to acquire a number of real estate plots mortgaged in favor of BLOM BANK S.A.L. and BLOMINVEST BANK S.A.L. in full settlement of the participation loan (90% by BLOM BANK S.A.L. and 10% by BLOMINVEST BANK S.A.L.) granted to Zeitoun 1589 SAL in accordance with Article 154 of the Code of Money and Credit. The acquisition amounting to US$ 8,220,894 (LL 12,393 million) was approved by the Banking Control Commission on 2 August 2017. During 2017, the Group realized a loss of US$ 3,241,118 (LL 4,886 million) as a result of the settlement on this debt.

16. INCOME TAX EXPENSE

The tax rates applicable to the parent and subsidiaries vary from 0% to 40% in accordance with the income tax laws of the countries where the Group operates. For the purpose of determining the taxable results of the subsidiaries for the year, the accounting results have been adjusted for tax purposes. Such adjustments include items relating to both income and expense and are based on the current understanding of the existing tax laws and regulations and tax practices.

Effective October 2017, the applicable tax rates for entities operating in Lebanon increased from 15% to 17%. Furthermore, tax on interest increased from 5% to 7% and is no longer allowed as a tax credit. Instead, it became a deductible expense for the purpose of calculation of taxable profit.

Reconciliation of total tax charge

The relationship between taxable profit and accounting profit is as follow:

LL Million	2018	2017
Profit before income tax	950,454	911,367
Less: Results of the subsidiary insurance company located in Lebanon(*)	(32,454)	(30,528)
Accounting profit before income tax	**918,000**	**880,839**
Add:		
Non-tax deductible provisions	7,196	110,026
Unrealized losses from revaluation of debt instruments and other financial assets at fair value through profit or loss	11,149	9,423
Net loss on disposal of fixed assets	-	623
Other non-tax deductible charges	50,417	40,780
	986,762	**1,041,691**
Less:		
Dividends received and previously subject to income tax	(11,365)	(11,346)
Remunerations already taxed	(24,369)	(19,791)
4% of a subsidiary's capital eligible to be tax deductible	(400)	(400)
Release of provisions previously subject to income tax	(80,000)	(4,358)
Net gain on disposal of fixed assets	(499)	-
Other non-taxable income	(3,060)	(3,536)
Taxable profit	**867,069**	**1,002,260**
Effective income tax rate	18.85%	19.73%
Income tax expense in the consolidated income statement	**179,184**	**179,820**

(*) The insurance company in Lebanon is subject to income tax at the rate of 15% calculated based on gross insurance premiums weighted differently for each class of business.

17. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of ordinary shares outstanding during the year.

The following table shows the income and share data used in the basic earnings per share calculations:

LL Million		2018	2017
Net profit for the year		771,270	731,547
Less: Non-controlling interests		(5,513)	(4,846)
Net profit attributable to ordinary equity holders of the parent		**765,757**	**726,701**
Weighted average number of ordinary shares for basic earnings per share		214,292,618	214,108,030
Basic earnings per share	LL	**3,573**	**3,394**

No figure for diluted earnings per share has been presented as the Bank has not issued any instruments which would have an impact on earnings per share when exercised.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of approval of these consolidated financial statements.

18. CASH AND BALANCES WITH CENTRAL BANKS

LL Million	2018	2017
Cash on hand	283,800	266,712
Current accounts with Central Banks	2,268,147	1,676,025
Deposits with the Central Banks (a)	30,663,987	22,687,754
	33,215,934	**24,630,491**
Less: Allowance for expected credit losses	(80,527)	-
	33,135,407	**24,630,491**

(a) At 31 December 2018, time deposits with the Central Bank of Lebanon amounting to LL 4,197,910 million and maturing in 2028 were blocked against term borrowings granted by the Central bank of Lebanon with the same value and maturing in 2028 (2017: nil) (note 31).

Oblogatory Reserves:
Cash and balances with central banks include non-interest bearing balances held by the Group at the Central Bank of Lebanon in coverage of the obligatory reserve requirements for all banks operating in Lebanon on deposits in Lebanese Lira as required by the Lebanese banking rules and regulations. This obligatory reserve is calculated on the basis of 25% of sight commitments and 15% of term commitments, after taking into account certain waivers relating to subsidized loans denominated in Lebanese Lira. This is not applicable for investment banks which are exempted from obligatory reserve requirements on commitments denominated in Lebanese Lira. In addition to the above, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon interest-bearing placements at the rate of 15% of total deposits in foreign currencies regardless of nature.

Foreign subsidiaries are also subject to obligatory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they are located.

The following table summarizes the Group's placements in central banks available against the obligatory reserves as of 31 December:

	2018		
LL Million	Lebanese Pounds	Foreign currency	Total
Obligatory reserve			
Central Bank of Lebanon	284,207	3,715,883	4,000,090
Other central banks	-	480,034	480,034
	284,207	**4,195,917**	**4,480,124**

	2017		
LL Million	Lebanese Pounds	Foreign currency	Total
Obligatory reserve			
Central Bank of Lebanon	329,579	3,508,810	3,838,389
Other central banks	-	432,194	432,194
	329,579	**3,941,004**	**4,270,583**

19. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

LL Million	2018	2017
Current accounts	1,142,900	1,546,760
Time deposits	1,227,785	2,018,245
	2,370,685	**3,565,005**
Less: Allowance for expected credit losses/Impairment allowance	(3,916)	(1,752)
	2,366,769	**3,563,253**

20. LOANS TO BANKS AND FINANCIAL INSTITUTIONS

LL Million	2018	2017
Loans to banks and financial institutions	37,984	44,182
Accrued interest receivable	163	331
	38,147	**44,513**
Less: Allowance for expected credit losses	(283)	-
	37,864	**44,513**

21. DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year end and are not indicative of neither the market risk nor the credit risk.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favorable to the Group.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

The Group has positions in the following types of derivatives:

	2018			2017		
LL Million	Assets	Liabilities	Total notional amount	Assets	Liabilities	Total notional amount
Derivatives held-for-trading						
Currency options	-	-	-	9,980	9,980	40,040
Forward foreign exchange contracts	14,637	17,272	3,375,777	10,420	16,245	3,605,538
Equity swaps and options	3,146	3,146	1,196,013	1	1	2,260
Currency swaps	262	2,203	872,492	-	5,544	563,397
Interest rate swaps	-	-	36,180	-	-	2,186
	18,045	**22,621**	**5,480,462**	**20,401**	**31,770**	**4,213,421**
Hedge of net investment in foreign operations						
Forward foreign exchange contracts	707	-	186,105	-	2,617	194,939
	18,752	**22,621**	**5,666,567**	**20,401**	**34,387**	**4,408,360**

Options
Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or to sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

Forwards and futures
Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market. Futures contracts are transacted in standardized amounts on regulated exchanges and are subject to daily cash margin requirements.

Derivative financial instruments held-for-trading purposes
Most of the Group's derivative trading activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for hedging purposes which do not meet the IFRS 9 hedge accounting criteria.

Derivative financial instruments held for hedging purposes
As part of its asset and liability management, the Group uses derivatives for hedging purposes in order to reduce its exposure to credit and market risks.

The Group uses forward foreign exchange contracts to hedge against specifically identified currency risks.

Hedge of net investment in foreign operations
During 2018, the Group renewed its forward foreign exchange contracts designated to hedge its investment in its subsidiary in France. The notional amount of these contracts amounted to Euro 107,904 thousand (LL 186,105 million) as at 31 December 2018 (2017: LL 194,939 million). The forward foreign exchange contracts were revalued as of 31 December 2018 and resulted in unrealized gain of LL 707 million (2017: unrealized loss of LL 2,617 million). The contracts mature on 7 March 2019 at the latest.

No ineffectiveness from the fair value hedge was recognized in profit or loss during the year.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

LL Million	2018	2017
Lebanese sovereign		
Treasury bills and bonds	52,752	48,983
Private sector and other securities		
Corporate debt instruments	8,993	9,594
Equity instruments	190,593	197,762
Funds	108,963	107,376
	308,549	**314,732**
	361,301	**363,715**

23. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

LL Million	2018	2017
Commercial loans	6,627,538	6,873,260
Consumer loans	4,629,742	4,906,477
	11,257,280	**11,779,737**
Less: Allowance for expected credit losses/Impairment allowance	(480,460)	(443,762)
	10,776,820	**11,335,975**

The table for the movement in allowances for expected credit losses of loans and advances to customers at amortized cost under IFRS 9 is presented in the Credit Risk section (note 49).

An analysis of the allowance for impairment losses under IAS 39 for loans and advances, by class, for the year ended 31 December 2017 is as follows:

	2017			
LL Million	Commercial loans	Consumer loans	Unrealized interest	Total
Balance at 1 January	345,290	72,705	118,087	536,082
Add:				
Charge for the year (note 13)	17,097	37,419	-	54,516
Unrealized interest for the year	-	-	42,551	42,551
Transfer from HSBC Bank Middle East Limited– Lebanon	11,079	4,292	23,543	38,914
Transfer from unrealized interest	-	1,144	-	1,144
Transfer from commercial individual impairment allowances	-	-	155	155
Foreign exchange difference	2,398	353	-	2,751
	375,864	**115,913**	**184,336**	**676,113**
Less:				
Provisions written-off	1,597	2,969	867	5,433
Write-back of provisions (note 13)	6,999	13,371	7,563	27,933
Transfer to off financial position	130,344	22,939	41,485	194,768
Transfer to provisions for risks and charges	2,782	11	-	2,793
Transfer to unrealized interest	155	-	-	155
Transfer to impairment allowances on consumer loans	-	-	1,144	1,144
Foreign exchange difference	1	-	124	125
	141,878	**39,290**	**51,183**	**232,351**
Balance at 31 December	**233,986**	**76,623**	**133,153**	**443,762**
Individual impairment	160,780	46,942	-	207,722
Collective impairment	73,206	29,681	-	102,887
Unrealized interest	-	-	133,153	133,153
	233,986	**76,623**	**133,153**	**443,762**

In accordance with the Banking Control Commission Circular No. 240, bad loans and related provisions and unrealized interest which fulfill certain requirements have been transferred to off financial position accounts. The gross balance of these loans amounted to LL 747,312 million as of 31 December 2018 (2017: LL 648,311 million).

The fair value of collateral that the Group holds relating to loans and advances to commercial customers individually determined to be impaired amounts to LL 116,543 million as of 31 December 2018 (LL 99,084 million as of 31 December 2017). The collateral consists of cash, securities, letters of guarantee and properties.

24. FINANCIAL ASSETS AT AMORTIZED COST

LL Million	2018	2017
Lebanese sovereign and Central Bank of Lebanon		
Treasury bills and bonds (a)	3,466,158	3,183,149
Certificates of deposits	1,884,435	1,862,668
	5,350,593	**5,045,817**
Other sovereign and central banks		
Treasury bills and bonds	1,221,660	1,743,170
Certificates of deposits	-	204,076
	1,221,660	**1,947,246**
Private sector and other securities		
Corporate debt instruments	855,777	864,925
Certificates of deposits	4,319	4,024
	860,096	**868,949**
Less: Allowance for expected credit losses/Impairment allowance	(21,888)	(5,637)
	7,410,461	**7,856,375**

(a) As at 31 December 2018, Lebanese treasury bills amounting to LL 2,321,271 million with maturities ranging between 2022 and 2033 were pledged against term borrowing granted from the Central Bank of Lebanon with the same value (2017: LL 1,392,525 million maturing between 2022 and 2027) (note 31).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

LL Million	2018	2017
Equity securities	14,605	2,059
Funds	-	2,165
	14,605	**4,224**

The table below details the financial assets at fair value through other comprehensive income as at 31 December:

	2018			2017		
LL Million	Carrying amount	Cumulative fair value changes	Dividend income	Carrying amount	Cumulative fair value changes	Dividend income
Equity securities	14,605	(1,051)	871	2,059	(410)	340
Funds	-	-	-	2,165	1,024	-
	14,605	**(1,051)**	**871**	**4,224**	**614**	**340**

Profit from sale of financial assets at fair value through other comprehensive income amounted to LL 46 million for the year ended 31 December 2018 (2017: nil).

26. PROPERTY AND EQUIPMENT

LL Million	Freehold land and buildings	Vehicles	Furniture, office installations and computer equipment	Advances on acquisition of fixed assets and construction in progress	Total
Cost					
At 1 January 2018	630,467	7,728	340,020	116,016	1,094,231
Additions	6,776	2,049	12,378	31,633	52,836
Disposals	(4,913)	(1,567)	(1,783)	-	(8,263)
Transfers	16,868	-	3,563	(23,640)	(3,209)
Write-off	-	-	(571)	-	(571)
Translation difference	(3,247)	(27)	(772)	(41)	(4,087)
At 31 December 2018	**645,951**	**8,183**	**352,835**	**123,968**	**1,130,937**
Depreciation					
At 1 January 2018	81,942	4,597	209,817	-	296,356
Charge for the year	11,697	1,516	24,457	-	37,670
Relating to disposals	-	(1,551)	(1,201)	-	(2,752)
Transfers	-	-	(2,668)	-	(2,668)
Write-off	-	-	(539)	-	(539)
Translation difference	(450)	(16)	(489)	-	(955)
At 31 December 2018	**93,189**	**4,546**	**229,377**	**-**	**327,112**
Net carrying value At 31 December 2018	**552,762**	**3,637**	**123,458**	**123,968**	**803,825**

LL Million	Freehold land and buildings	Vehicles	Furniture, office installations and computer equipment	Advances on acquisition of fixed assets and construction in progress	Total
Cost					
At 1 January 2017	520,365	6,405	308,547	131,519	966,836
Additions	23,743	1,198	19,632	31,126	75,699
Disposals	(1,216)	(648)	(4,645)	-	(6,509)
Transfers	33,835	706	11,695	(46,737)	(501)
Transferred from HSBC Bank Middle East Limited-Lebanon	45,626	-	2,481	-	48,107
Translation difference	8,114	67	2,310	108	10,599
At 31 December 2017	**630,467**	**7,728**	**340,020**	**116,016**	**1,094,231**
Depreciation					
At 1 January 2017	71,097	3,094	189,205	-	263,396
Charge for the year	10,155	1,474	23,739	-	35,368
Relating to disposals	-	(490)	(3,903)	-	(4,393)
Transfers	-	465	(591)	-	(126)
Translation difference	690	54	1,367	-	2,111
At 31 December 2017	**81,942**	**4,597**	**209,817**	**-**	**296,356**
Net carrying value At 31 December 2017	**548,525**	**3,131**	**130,203**	**116,016**	**797,875**

Certain freehold land and buildings purchased prior to 1 January 1999 were restated in previous years for the changes in the general purchasing power of the Lebanese Lira giving rise to a net surplus amounting to LL 14,727 million, which was credited to equity under “revaluation reserve of real estate”.

27. INTANGIBLE ASSETS

LL Million	Computer Software	Key money	Advances on acquisition of intangible assets	Total
Cost				
At 1 January 2018	23,331	3,617	-	26,948
Additions	4,186	-	14	4,200
Disposals	(18)	-	-	(18)
Transfers	3,140	-	-	3,140
Translation difference	(156)	(85)	-	(241)
At 31 December 2018	**30,483**	**3,532**	**14**	**34,029**
Amortization				
At 1 January 2018	21,211	3,564	-	24,775
Charge for the year	1,837	53	-	1,890
Relating to disposals	(18)	-	-	(18)
Transfers	2,629	-	-	2,629
Translation difference	(153)	(85)	-	(238)
At 31 December 2018	**25,506**	**3,532**	**-**	**29,038**
Net carrying value At 31 December 2018	**4,977**	**-**	**14**	**4,991**

LL Million	Computer Software	Key money	Advances on acquisition of intangible assets	Total
Cost				
At 1 January 2017	21,856	3,400	24	25,280
Additions	1,415	-	11	1,426
Disposals	(552)	-	-	(552)
Transfers	256	-	(35)	221
Translation difference	356	217	-	573
At 31 December 2017	**23,331**	**3,617**	**-**	**26,948**
Amortization				
At 1 January 2017	19,503	3,295	-	22,798
Charge for the year	1,950	53	-	2,003
Relating to disposals	(552)	-	-	(552)
Translation difference	310	216	-	526
At 31 December 2017	**21,211**	**3,564**	**-**	**24,775**
Net carrying value At 31 December 2017	**2,120**	**53**	**-**	**2,173**

28. ASSETS OBTAINED IN SETTLEMENT OF DEBT

LL Million	2018	2017
Cost		
At 1 January	65,315	55,019
Additions	1,813	14,577
Disposals	(2,182)	(4,453)
Transfers	-	(7)
Translation difference	(12)	179
At 31 December	**64,934**	**65,315**
Impairment		
At 1 January	(4,635)	(5,263)
Charge for the year (note 15)	(2,324)	(110)
Write-back (note 12)	352	749
Translation difference	(51)	(11)
At 31 December	**(6,658)**	**(4,635)**
Net carrying value At 31 December 2018	**58,276**	**60,680**

29. OTHER ASSETS

LL Million	2018	2017
Reinsurer's share of technical reserves	30,338	61,375
Prepaid expenses	27,205	28,492
Sundry debtors (i)	19,354	16,101
Insurer deferred acquisition cost	17,732	18,975
Compulsory deposits (ii)	6,177	6,175
Other revenues to be collected	5,815	3,972
Customers' transactions between head office and branches	2,935	4,035
Precious metals and stamps	1,166	1,046
Payments on behalf of HSBC Bank Middle East Limited– Lebanon (*)	-	8,461
Other assets	68,826	50,865
	179,548	**199,497**

(*) The above balance represents receivables from HSBC Bank Middle East Limited– Lebanon for payments made by BLOM BANK Lebanon on behalf of HSBC Bank Middle East Limited– Lebanon in accordance with the Protocol Terms of the Sale and Purchase Agreement. This balance was collected on 23 January 2018.

(i) Sundry debtors

LL Million	2018	2017
Sundry debtors	19,914	17,511
Less: Provision against sundry debtors	(560)	(1,410)
	19,354	**16,101**

The movement of provision against sundry debtors is summarized as follows:

LL Million	2018	2017
Balance at 1 January	1,410	1,410
Recoveries (note 13)	(850)	-
Balance at 31 December	**560**	**1,410**

(ii) Compulsory deposits represent amounts deposited with local authorities based on local regulations of the countries in which the subsidiaries are located, and are detailed as follows:

LL Million	2018	2017
BLOMINVEST BANK S.A.L.	1,500	1,500
BLOM DEVELOPMENT BANK S.A.L.	4,500	4,500
BLOM BANK FRANCE S.A	124	121
BLOM SECURITIES	53	54
	6,177	**6,175**

30. BUSINESS COMBINATIONS AND GOODWILL

(a) GOODWILL

LL Million	2018	2017
Cost		
At 1 January	111,131	21,365
Goodwill arising on acquisition (b)	-	89,720
Translation difference	(12)	46
At 31 December	**111,119**	**111,131**
Impairment		
At 1 January	(109,135)	**(19,415)**
Impairment for the year	-	(89,720)
At 31 December	**(109,135)**	**(109,135)**
Net book value At 31 December	**1,984**	**1,996**

Testing goodwill for impairment involves a significant amount of judgment. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. The allocation is reviewed following business reorganizations. Cash flow projections necessarily take into account changes in the market in which a business operates including the level of growth, competitive activity, and the impacts of regulatory change. The Group performed its annual impairment test in December 2018 and 2017.

As at 31 December, the carrying amount of goodwill was allocated to the following CGUs:

LL Million	2018	2017
Asset management and private banking - Switzerland	1,214	1,226
Asset management and private banking - Egypt	770	770
	1,984	**1,996**

These CGUs do not carry on their statement of financial position any intangible assets with indefinite lives, other than goodwill.

GOODWILL IMPAIRMENT TEST

The Group recognised impairment losses as follows during the year ended 31 December:

LL Million	2018	2017
Commercial Banking (HSBC) – Lebanon	-	89,720
	-	**89,720**

COMMERCIAL BANKING (HSBC) – LEBANON

The Commercial Banking CGU in Lebanon is a separate business that generates largely independent cash flows from operations in the Lebanese market. The acquisitions resulted in operational synergies at the level of the acquired head office and branches. The business is reported mainly under the Commercial and Retail Banking business segment and the Lebanon geographical segment. The recoverable amount of this CGU of LL 135,240 million was determined based on a value in use calculation using updated cash flow projections from financial budgets covering a five-year period, with a terminal growth rate of 2.7%. The projected cash flows were discounted at a pre-tax rate of 18.5%. As a result, an impairment loss on goodwill amounting to LL 89,720 million was recognized for the year ended 31 December 2017.

KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS AND SENSITIVITY TO CHANGES IN ASSUMPTIONS

The calculation of value in use is most sensitive to interest rate margins, cost of equity and the projected growth rates used to extrapolate cash flows beyond the budget period.

The cost of equity assigned to an individual CGU and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is generally derived from an appropriate capital asset pricing model, which itself depends on inputs reflecting a number of financial and economic variables including the risk rate in the country concerned and a premium to reflect the inherent risk of the business being evaluated. Projected terminal growth rates used are in line with, and do not exceed, the projected growth rates in GDP and inflation rate forecasts for the jurisdictional area where the operations reside.

Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the units to exceed their recoverable amount. These are summarized in the table below, which shows the details of the sensitivity of the above measures on the Bank's CGU's value in use (VIU):

COMMERCIAL BANKING (HSBC) – LEBANON (31 DECEMBER 2017)		
Interest margins	Interest margins are based on current fixed interest yields.	A decrease of 0.10% causes a decrease in the value in use by 4.12% (LL 5,576 million).
Cost of equity	The cost of equity is the return required for an investment to meet capital return requirements; it is often used as a capital budgeting threshold for required rate of return.	A decrease of 0.25% causes an increase in the value in use by 1.63% (LL 2,205 million).
Growth rate	Growth rate is the percentage change of the compounded annualized rate of growth of revenues, earnings, dividends and even including macro concepts such as GDP and the economy as a whole.	A decrease of 0.5% causes a decrease in the value in use by 1.82% (LL 2,458 million).

(b) BUSINESS COMBINATIONS

Acquisition of HSBC Bank Middle East Limited – Lebanon Branch

On 17 June 2017, the Group acquired 100% of the assets and liabilities of HSBC Bank Middle East Limited – Lebanon Branch, for a total consideration of LL 219,562 million. HSBC Bank Middle East Limited – Lebanon Branch is engaged in providing a wide range of banking services to its customers through its Head Office and branches located in Lebanon. The transaction was accounted for under the acquisition method. The consolidated financial statements include the results of HSBC Bank Middle East Limited – Lebanon Branch from the acquisition date. If the acquisition had taken place at the beginning of the year 2017, net income for the year ended 31 December 2017 would have increased by LL 5,900 million.

The fair value of the identifiable assets and liabilities acquired arising as at the date of acquisition was:

LL Million	Fair value recognised on acquisition	Carrying value
Assets		
Cash and balances with central banks	206,384	206,384
Due from banks and financial institutions	62,277	62,277
Financial assets at fair value through profit or loss	180	180
Net loans and advances to customers at amortized cost	698,877	698,877
Debtors by acceptances	66,890	66,890
Financial assets at amortized cost	196,345	196,345
Property and equipment	48,107	19,802
Other assets	17,913	17,913
	1,296,973	**1,268,668**
Liabilities		
Due to banks and financial institutions	188,693	188,693
Customers' deposits at amortized cost	891,774	891,774
Engagements by acceptances	66,890	66,890
Other liabilities	14,609	14,609
Provisions for risks and charges	5,165	5,165
	1,167,131	**1,167,131**
Total identifiable net assets	**129,842**	**101,537**

Acquisition percentage	100%
Fair value of net assets acquired	129,842
Cost of acquisition	219,562
Goodwill arising from acquisition	**89,720**
Cash outflow on acquisition of the subsidiary:	
Cash paid	(219,562)
Cash acquired with the subsidiary	206,384
Net cash outflow	**(13,178)**

31. DUE TO CENTRAL BANKS AND REPURCHASE AGREEMENTS

LL Million	2018	2017
Central Bank of Lebanon (a)	541,446	511,856
Central Bank of Lebanon (b)	6,519,181	1,707,573
Central Bank of Jordan	21,231	22,845
Accrued interest payable	34,364	12,671
	7,116,222	**2,254,945**
Central Bank of Egypt – repurchase agreements	25,826	7,263
	7,142,048	**2,262,208**

(a) Following its issued Intermediate Circulars, the Central Bank of Lebanon offered the commercial banks facilities capped at LL 1,500 billion to be granted to customers and with a time limit ending on 15 October 2017. Facilities obtained are subject to an interest rate of 1% per annum payable on a monthly basis with the first payment due on 2 January 2018.

(b) Term borrowings from the Central Bank of Lebanon amounting to LL 6,519,181 million as at 31 December 2018 have maturities ranging between the years 2022 and 2033. Time deposits placed with the Central Bank of Lebanon amounting to LL 4,197,910 million maturing in 2028 were blocked against these term borrowings (note 18) and Lebanese treasury bills held at amortized cost amounting to LL 2,321,271 million (note 24) with maturities ranging between 2022 and 2033 were pledged in favor of the Central Bank of Lebanon. (2017: Lebanese treasury bills held at amortized cost amounting to LL 1,392,525 million (note 24) and having maturities ranging 2022 and 2027 were pledged in favor of the Central Bank of Lebanon).

32. DUE TO BANKS AND FINANCIAL INSTITUTIONS

LL Million	2018	2017
Current accounts	292,986	276,549
Time deposits	379,322	248,524
Loans	193,753	53,612
	866,061	**578,685**

33. CUSTOMERS' DEPOSITS AT AMORTIZED COST

LL Million	2018	2017
Customers' deposits at amortized cost		
Sight deposits	5,128,575	5,631,782
Time deposits	21,549,056	19,512,803
Saving accounts	12,255,627	12,959,282
Credit accounts and deposits against debit accounts	1,417,410	1,806,653
Margins on letters of credit	62,736	66,499
	40,413,404	**39,977,019**

Customers' deposits include coded deposit accounts in BLOM BANK S.A.L. and BLOMINVEST BANK S.A.L. amounting to LL 24,518 million as of 31 December 2018 (2017: LL 24,223 million).

34. DEBT ISSUED AND OTHER BORROWED FUNDS

LL Million	2018	2017
Certificates of deposits issued by the Group	452,250	-
Issuance cost of certificates of deposits	(1,259)	-
Accrued interest	5,297	-
	456,288	**-**

On 7 March 2018, the Group has obtained the approval of the Capital Markets Authority for the issuance of certificates of deposits at par up to a ceiling of US$ 300 million (equivalent to LL 452,250 million) subject to a fixed interest rate of 7.5% per annum and a maturity of 4 May 2023.

35. OTHER LIABILITIES

LL Million	2018	2017
Unearned premiums and liability related to insurance contracts	324,333	323,981
Current tax liabilities	181,716	146,174
Sundry creditors	102,933	94,230
Other taxes due	77,904	61,587
Accrued expenses	75,157	68,867
Regularization accounts	55,696	98,835
Dividends payable	435	1,543
Other liabilities	31,621	22,181
	849,795	**817,398**

36. PROVISIONS FOR RISKS AND CHARGES

LL Million	2018	2017
Deferred revenues (i)	160,945	337,177
Provision for risks and charges (ii)	57,210	49,646
Retirement benefits obligation (iii)	74,426	69,882
Provision for outstanding claims and IBNR reserves related to subsidiary-insurance companies	43,338	52,176
Provision on commitment by signature (iv)	2,231	3,956
Provisions for ECL on financial guarantees and commitments	2,131	-
Other provisions	11,780	10,587
	352,061	**523,424**

(i) During 2016, the Central Bank of Lebanon issued Intermediate Circular number 446 dated 30 December 2016 relating to the gain realized by banks from certain financial transactions with the Central Bank of Lebanon, consisting of the sale of financial instruments denominated in Lebanese Lira and the purchase of financial instruments denominated in US Dollars. In accordance with the provisions of this circular, banks should recognize in the income statement, only part of the gain net of tax, caped to the extent of the losses recorded to comply with recent regulatory provisioning requirements, the impairment losses on subsidiaries and goodwill recorded in accordance with IAS 36 and IFRS 3 respectively and the shortage needed to comply with the capital adequacy requirements. Lebanese banks may further recognize up to 70% of the remaining balance of the gain realized net of tax in the income statement as non-distributable profits to be appropriated to reserves for capital increase, qualifying for inclusion within regulatory Common Equity Tier One.

Besides, during 2017, the Group released an amount of LL 89,720 million (net of tax) from “Deferred revenues” whereby LL 105,552 million gross of tax were recognized in the consolidated income statement for the year ended 31 December 2017 under “Other operating income” (note 12) and LL 15,832 million under “Income tax expense”. As at 31 December 2017, allowance for expected credit losses include provisions constituted to comply with regulatory requirements amounting to LL 337,177 million in excess of the provisioning requirements.

During 2018, the Group used part of the “Deferred revenues” to provide for LL 126,298 million; resulting from applying IFRS 9 Expected Credit Losses (ECL) model on 1 January 2018. In addition, during 2018 the Group used an amount of LL 49,934 million from the “Deferred revenues” for the Expected Credit Loss allowance when calculating the ECL as of 31 December 2018. The remaining balance of this excess amounted to LL 160,945 million.

The movement in the deferred revenues (excess provisions) is as follows:

LL Million	2018	2017
Balance at 1 January	337,177	426,897
Impact of IFRS 9 adoption (note 2)	(126,298)	-
Net transfer to expected credit losses on financial assets	(49,934)	-
Write back during the year	-	(89,720)
Balance at 31 December	**160,945**	**337,177**

(ii) Provisions for risks and charges

LL Million	2018	2017
Balance at 1 January	49,646	54,106
Impact of IFRS 9 adoption (note 2)	(1,543)	-
Charge for the year (note 15)	10,785	859
Provisions paid during the year	(6)	(128)
Provisions written-back during the year (note 12)	(16,971)	(4,312)
Net transfer to expected credit losses on financial assets	(9,270)	-
Transfer from commitment by signature (iv)	1,721	-
Transfer from provisions on stage 1 commercial loans (note 49-1.1)	22,990	-
Provisions written-off during the year	(94)	(89)
Exchange difference	(48)	(790)
Balance at 31 December	**57,210**	**49,646**

(iii) Retirement benefits obligation

LL Million	2018	2017
Balance at 1 January	69,882	65,919
Charge for the year (note 14)	10,507	4,923
Transfer from HSBC Bank Middle East Limited – Lebanon Branch	-	3,400
Benefits paid	(5,937)	(4,532)
Exchange difference	(26)	172
Balance at 31 December	**74,426**	**69,882**

(iv) Provision on commitment by signature

LL Million	2018	2017
Balance at 1 January	3,956	3,883
Charge for the year (note 13)	-	78
Transfer to provision for risks and charges (ii)	(1,721)	-
Exchange difference	(4)	(5)
Balance at 31 December	**2,231**	**3,956**

37. SHARE CAPITAL AND PREMIUMS

	2018		2017	
LL Million	Share capital	Share premium	Share capital	Share premium
Common shares – Authorized, issued and fully paid 215,000,000 shares at LL 1,500 per share as of 31 December 2018 (31 December 2017: the same)	**322,500**	**374,059**	**322,500**	**374,059**

All of the Bank's common shares are listed in the Beirut Stock Exchange starting 20 June 2008. Out of the total common shares, 73,896,010 shares are listed as Global Depository Receipts (GDRs) in the Luxembourg Stock Exchange (2017: the same).

38. NON-DISTRIBUTABLE RESERVES

LL Million	Non-distributable general reserves	Reserve for general banking risks	Legal reserve	Reserve for increase of share capital	Other reserves	Total
At 1 January 2017	-	441,922	538,416	143,497	68,817	1,192,652
Capital increase	-	-	-	(64,500)	-	(64,500)
Appropriation of 2016 profits	-	34,957	64,316	75,190	4,992	179,455
Transfer from retained earnings to non-distributable reserves	-	-	-	-	3,367	3,367
Change in non-controlling interests	-	(1)	(3)	(2)	-	(6)
Net gain on sale of treasury shares	-	-	-	3,408	-	3,408
Other adjustments	-	-	-	(1,598)	-	(1,598)
At 1 January 2018	**-**	**476,878**	**602,729**	**155,995**	**77,176**	**1,312,778**
Impact of IFRS 9 at 1 January	(732)	-	-	-	-	(732)
Restated balance at 1 January 2018	**(732)**	**476,878**	**602,729**	**155,995**	**77,176**	**1,312,046**
Appropriation of 2017 profits	536	35,740	67,149	6,745	-	110,170
Transfer to non-distributable general reserves	577,998	(500,822)	-	-	(77,176)	-
Transfer from (to) retained earnings	128,748	-	2,060	(19,415)	-	111,393
Net gain on sale of treasury shares	-	-	-	68	-	68
At 31 December 2018	**706,550**	**11,796**	**671,938**	**143,393**	**-**	**1,533,677**

Non-distributable general reserves
According to the Central Bank of Lebanon Main Circular 143, Banks in Lebanon are required to transfer to "Non-distributable general reserves", the balance of "Reserve for general banking risks" and "Reserve for retail loans" previously appropriated in line with the requirements of decision 7129 and decision 7776 respectively. This reserve is part of the Group's equity and is not available for distribution.

Legal reserve
According to the Lebanese Code of Commerce and to the Money and Credit Act, banks and companies operating in Lebanon have to transfer 10% of their annual net profit to a legal reserve. In addition, subsidiaries and branches are also subject to legal reserve requirements based on the rules and regulations of the countries in which they operate. This reserve cannot be distributed as dividends.

During 2018, the Group appropriated LL 67,149 million from 2017 profits to the legal reserve in accordance with the General Assembly of Shareholders' resolution (2017: LL 64,316 million).

Reserve for increase of share capital
During 2018, the Group appropriated LL 6,745 million from 2017 profits to the reserve for increase of share capital in accordance with the General Assembly of Shareholders' resolution (2017: LL 75,190 million).

Details of the reserve for increase of share capital are as follows:

LL Million	2018	2017
Recoveries of provisions for doubtful debts and reserves for assets taken in recovery of debts	106,619	119,289
Gain on sale of treasury shares	36,003	35,935
Revaluation reserves for fixed assets sold	668	668
Transfer from other reserves	102	102
Other adjustments	1	1
	143,393	**155,995**

39. TREASURY SHARES

Movement of treasury shares recognized in the consolidated statement of financial position is as follows:

	2018	
	No. of common shares	Amount LL Million
At 1 January	8,567,050	8,473
Purchase of treasury shares	326,751	5,766
Sale of treasury shares	(40,450)	(672)
At 31 December	**8,853,351**	**13,567**

	2017	
	No. of common shares	Amount LL Million
At 1 January	9,220,651	16,941
Purchase of treasury shares	2,290,192	37,564
Sale of treasury shares	(2,943,793)	(46,032)
At 31 December	**8,567,050**	**8,473**

The treasury shares represent 1,078,185 Global Depositary Receipts (GDR) and 7,775,166 ordinary shares owned by the Group as at 31 December 2018 (2017: 774,034 Global Depository Receipts (GDR) and 7,793,016 ordinary shares).

The Group realized a gain of LL 68 million from the sale of treasury shares during the year 2018 (2017: gain of LL 3,408 million). Gains and losses are reflected in the "Non-distributable reserves".

40. RETAINED EARNINGS

As of 31 December, retained earnings include the following non-distributable amounts:

LL Million	2018	2017
Group's share of accumulated unrealized gain on revaluation of structural position of subsidiary bank (*)	13,956	13,008
Unrealized gain on financial assets at fair value through profit or loss	69,971	79,669
Earnings distributable subject to Central Bank of Egypt approval	10,118	13,120
	94,045	**105,797**

(*) This related to BLOM BANK FRANCE S.A – Romania Branch as at 31 December 2017 (2016: the same).

41. CHANGE IN FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Movement of the change in fair value of financial assets at fair value through other comprehensive income during the year was as follows:

LL Million	2018	2017
At 1 January	614	550
Impact of IFRS 9 at 1 January (note 2)	(2,192)	-
Restated balance at 1 January 2018	(1,578)	550
Net changes in fair values during the year	621	64
Balance at 31 December	**(957)**	**614**

42. CASH AND CASH EQUIVALENTS

LL Million	2018	2017
Cash and balances with central banks	3,542,181	2,485,030
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	2,114,378	2,857,593
	5,656,559	**5,342,623**
Less:		
Due to central banks	(42,633)	(24,435)
Repurchase agreements	(21,076)	(7,263)
Due to banks and financial institutions (whose original maturities are less than 3 months)	(633,269)	(460,237)
	4,959,581	**4,850,688**

43. DIVIDENDS DECLARED AND PAID

According to the resolution of the General Assembly meeting held on 11 April 2018 the following dividends were declared and paid, from the 2017 profits.

	2018		
	Number of shares	Dividends per share in LL	Total LL Million
Dividends on common shares	214,316,591	1,700.00	**364,338**

The dividends on common shares, declared on 11 April 2018, were paid net of the treasury shares as of that date.

According to the resolution of the General Assembly meeting held on 7 April 2017 the following dividends were declared and paid, from the 2016 profits.

	2017		
	Number of shares	Dividends per share in LL	Total LL Million
Dividends on preferred shares – 2011 issue	20,000,000	1,055.25	21,105
Dividends on common shares	214,771,805	1,500.00	322,158
			343,263

The dividends on common shares, declared on 7 April 2017, were paid net of the treasury shares as of that date.

44. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating decisions, or one other party controls both. The definition includes subsidiaries, key management personnel and their close family members, as well as entities controlled or jointly controlled by them.

A list of the Group's principal subsidiaries is shown in note 4. Transactions between the Bank and its subsidiaries meet the definition of related party transactions. However, where these are eliminated on consolidation, they are not disclosed in the Group's consolidated financial statements.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, directly or indirectly.

Loans to related parties, (a) were made in the ordinary course of business, (b) were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with others and (c) did not involve more than a normal risk of collectability or present other unfavorable features.

Related party balances included in the Group's Statement of Financial Position are as follows as of 31 December:

	2018			
	Key management personnel	Other related parties	Expected credit loss	Total
LL Million	Outstanding balance	Outstanding balance	Outstanding balance	Outstanding balance
Deposits	74,464	89,754	-	**164,218**
Net loans and advances	13,744	10,720	(21)	**24,443**
Guarantees given	3,914	1,814	-	**5,728**

	2017			
	Key management personnel	Other related parties	Expected credit loss	Total
LL Million	Outstanding balance	Outstanding balance	Outstanding balance	Outstanding balance
Deposits	113,964	71,607	-	**185,571**
Net loans and advances	12,882	15,263	-	**28,145**
Guarantees given	3,781	2,155	-	**5,936**

Related party transactions included in the Group's Income Statement are as follows for the year ended 31 December:

	2018		
LL Million	Key management personnel	Other related parties	Total
Interest paid on deposits	2,520	5,771	**8,291**
Interest received from net loans and advances	458	762	**1,220**
Rent expense	-	296	**296**

	2017		
LL Million	Key management personnel	Other related parties	Total
Interest paid on deposits	2,285	5,720	**8,005**
Interest received from net loans and advances	437	883	**1,320**
Rent expense	-	615	**615**

Key Management Personnel

Total remuneration awarded to key management personnel represents the awards made to individuals that have been approved by the Board Remuneration Committee as part of the latest pay round decisions. Figures are provided for the period that individuals met the definition of key management personnel.

LL Million	2018	2017
Short-term benefits	**61,712**	**56,512**
Post-employment benefits	**2,928**	**646**

Short-term benefits comprise of salaries, bonuses, profit-sharing, attendance fees and other benefits.

45. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

Credit – related commitments and contingent liabilities

To meet the financial needs of customers, the Group enters into various commitments, guarantees and other contingent liabilities, which are mainly credit-related instruments including both financial and non-financial guarantees and commitments to extend credit. Even though these obligations may not be recognized on the consolidated statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group. The table below discloses the nominal principal amounts of credit-related commitments and contingent liabilities. Nominal principal amounts represent the amount at risk should the contracts be fully drawn upon and clients default. As a significant portion of guarantees and commitments is expected to expire without being withdrawn, the total of the nominal principal amount is not indicative of future liquidity requirements.

	2018		
LL Million	Banks	Customers	Total
Guarantees issued	50,217	1,085,948	1,136,165
Commitments			
Documentary credits	240,698	-	240,698
Loan commitments	-	1,790,521	1,790,521
Of which revocable	-	*1,420,072*	*1,420,072*
Of which irrevocable	-	*370,449*	*370,449*
Securities pledged with the Central Bank of Lebanon	2,342,765	-	2,342,765
Other commitments	1,567	52,222	53,789
	2,635,247	**2,928,691**	**5,563,938**

	2017		
LL Million	Banks	Customers	Total
Guarantees issued	33,766	1,030,815	1,064,581
Commitments			
Documentary credits	243,727	-	243,727
Loan commitments	-	2,149,378	2,149,378
Of which revocable	-	*1,706,366*	*1,706,366*
Of which irrevocable	-	*443,012*	*443,012*
Securities pledged with the Central Bank of Lebanon	1,407,524	-	1,407,524
Other commitments	1,745	63,531	65,276
	1,686,762	**3,243,724**	**4,930,486**

Guarantees issued
Guarantees are given as security to support the performance of a customer to third parties. The main types of guarantees provided are:

- Financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts, and other banking facilities; and
- Other guarantees are contracts that have similar features to the financial guarantee contracts but fail to meet the strict definition of a financial guarantee contract under IFRS. These include mainly performance and tender guarantees.

Documentary credits
Documentary credits commit the Group to make payments to third parties, on production of documents, which are usually reimbursed immediately by customers.

Loan commitments
Loan commitments are defined amounts (unutilized credit lines or undrawn portions of credit lines) against which clients can borrow money under defined terms and conditions.

Revocable loan commitments are those commitments that can be cancelled at any time (without giving a reason) subject to notice requirements according to their general terms and conditions. Irrevocable loan commitments result from arrangements where the Group has no right to withdraw the loan commitment once communicated to the beneficiary.

Legal claims
Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year end, the Group had several unresolved legal claims. Based on advice from legal counsel, management believes that legal claims will not result in any material financial loss to the Group.

Capital expenditures and lease payments that were not provided for as of the consolidated statement of financial position date are as follows:

LL Million	2018	2017
Capital commitments		
Property and equipment	**14,950**	**15,124**
Operating lease commitments – Group as lessee		
Future minimum lease payments under operating leases:		
During one year	4,369	4,699
More than 1 year and less than five years	11,776	14,149
More than five years	8,124	12,474
Total operating lease commitments at the consolidated statement of financial position date	**24,269**	**31,322**

Other commitments and contingencies
The books of the Head Office and Lebanese branches of the Bank were reviewed by the tax authorities for the years 2012 to 2014 (inclusive). The tax authorities issued a final report on 27 February 2018 resulting in additional taxes of LL 1,486 million which were settled by the Bank during the year 2018.

In addition, the Bank's books in Lebanon for the years 2015 to 2017 (inclusive) are currently under the review of the tax authorities. The Bank's books in Lebanon remain subject to the review of the tax authorities for the year 2018. Management believes that the ultimate outcome of any review by the tax authorities on the Bank's books for this period will not have a material impact on the financial statements.

The books of the Head Office and Lebanese branches of the Bank were reviewed by the National Social Security Fund (NSSF) and were subject to a discharge for the period from 1 March 1998 until 31 October 2014. The Bank's books in Lebanon remain subject to the review by the NSSF for the period from 1 November 2014 to 31 December 2018. Management believes that the ultimate outcome of any review by the NSSF on the Bank's books for this period will not have a material impact on the financial statements.

In addition, the subsidiaries' books and records are subject to review by the tax and social security authorities in the countries in which they operate.

Management believes that adequate provisions were recorded against possible review results to the extent that they can be reliably estimated.

46. ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

LL Million	2018	2017
Assets held in custody and under administration	**10,655,081**	**11,820,643**

The Group provides safekeeping and servicing activities on behalf of clients, in addition to various support functions including the valuation of portfolios of securities and other financial assets, which complements the custody business.

47. FAIR VALUE OF THE FINANCIAL INSTRUMENTS

The fair values in this note are stated at a specific date and may be different from the amounts which will actually be paid on the maturity or settlement dates of the instrument. In many cases, it would not be possible to realize immediately the estimated fair values given the size of the portfolios measured. Accordingly, these fair values do not represent the value of these instruments to the Group as a going concern.

Financial assets and liabilities are classified according to a hierarchy that reflects the significance of observable market inputs. The three levels of the fair value hierarchy are defined below.

Quoted market prices – Level 1

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Valuation technique using observable inputs – Level 2

Financial instruments classified as Level 2 have been valued using models whose most significant inputs are observable in an active market. Such valuation techniques and models incorporate assumptions about factors observable in an active market, that other market participants would use in their valuations, including interest rate yield curve, exchange rates, volatilities, and prepayment and defaults rates.

Valuation technique using significant unobservable inputs – Level 3

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). A valuation input is considered observable if it can be directly observed from transactions in an active market, or if there is compelling external evidence demonstrating an executable exit price. Unobservable input levels are generally determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

Fair value measurement hierarchy of the Group's financial assets and liabilities carried at fair value:

	2018			
	Valuation techniques			
LL Million	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments				
Forward foreign exchange contracts	-	14,637	-	**14,637**
Equity swaps and options	-	3,146	-	**3,146**
Currency swaps	-	262	-	**262**
Forward foreign exchange contracts used for hedging purposes	-	707	-	**707**
Financial assets at fair value through profit or loss:				
Treasury Bills and bonds	51,882	870	-	**52,752**
Corporate debt instruments	7,298	1,695	-	**8,993**
Equity instruments	172,031	18,562	-	**190,593**
Funds	-	-	108,963	**108,963**
Financial assets at fair value through other comprehensive income:				
Equity instruments	-	12,981	1,624	**14,605**
Financial liabilities				
Derivative financial instruments				
Forward foreign exchange contracts	-	17,272	-	**17,272**
Equity swaps and options	-	3,146	-	**3,146**
Currency swaps	-	2,203	-	**2,203**

	2017			
	Valuation techniques			
LL Million	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments				
Currency swaps and options	-	9,980	-	**9,980**
Forward foreign exchange contracts	-	10,420	-	**10,420**
Equity swaps and options	-	1	-	**1**
Financial assets at fair value through profit or loss				
Treasury Bills and bonds	41,270	7,713	-	**48,983**
Corporate debt instruments	7,624	1,970	-	**9,594**
Equity instruments	181,102	16,660	-	**197,762**
Funds	-	-	107,376	**107,376**
Financial assets at fair value through other comprehensive income:				
Equity instruments	-	2,059	-	**2,059**
Funds	-	-	2,165	**2,165**
Financial liabilities				
Derivative financial instruments				
Currency swaps and options	-	15,524	-	**15,524**
Forward foreign exchange contracts	-	16,245	-	**16,245**
Equity swaps and options	-	1	-	**1**
Forward foreign exchange contracts used for hedging purposes	-	2,617	-	**2,617**

Assets and liabilities measured at fair value using a valuation technique with significant observable inputs (Level 2)

Derivatives
Derivative products are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates.

Government bonds, certificates of deposit and other debt securities
The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest, implied volatilities and credit spreads.

Comparison of carrying and fair values for financial assets and liabilities not held at fair value:
The fair values included in the table below were calculated for disclosure purposes only. The fair valuation techniques and assumptions described below relate only to the fair value of the Group's financial instruments not measured at fair value. Other institutions may use different methods and assumptions for their fair value estimations, and therefore such fair value disclosures cannot necessarily be compared from one institution to another.

The fair value of financial instruments that are carried at amortized cost is as follows:

	2018		2017	
LL Million	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and balances with central banks	33,135,407	31,712,920	24,630,491	25,848,354
Due from banks and financial institutions	2,366,769	2,366,539	3,563,253	3,562,815
Loans to banks and financial institutions	37,864	36,824	44,513	45,263
Net loans and advances to customers at amortized cost	10,776,820	10,761,589	11,335,975	11,367,681
Net loans and advances to related parties at amortized cost	24,443	24,563	28,145	28,215
Debtors by acceptances	191,492	191,492	150,791	150,791
Financial assets at amortized cost	7,410,461	7,000,162	7,856,375	7,776,915
Treasury bills and bonds	*4,677,182*	*4,594,969*	*4,920,682*	*4,882,512*
Certificates of deposit – Central Banks	*1,875,763*	*1,555,946*	*2,066,744*	*2,001,965*
Corporate debt instruments	*853,283*	*845,014*	*864,925*	*888,414*
Certificates of deposit – private sector	*4,233*	*4,233*	*4,024*	*4,024*
Financial liabilities				
Due to central banks	7,116,222	7,116,178	2,254,945	2,254,945
Repurchase agreements	25,826	25,826	7,263	7,263
Due to banks and financial institutions	866,061	866,085	578,685	578,682
Customers' deposits at amortized cost	40,413,404	40,518,296	39,977,019	40,157,487
Deposits from related parties at amortized cost	164,218	164,525	185,571	185,710
Debt issued and other borrowed funds	456,288	456,288	-	-
Engagements by acceptances	192,751	192,751	150,791	150,791

Assets and liabilities for which fair value is disclosed using a valuation technique with significant observable inputs (Level 2) and / or significant unobservable inputs (Level 3)

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), the Group assumed that the carrying values approximate the fair values. This assumption is also applied to demand deposits which have no specific maturity and financial instruments with variable rates.

Deposits with banks and loans and advances to banks

For the purpose of this disclosure there is minimal difference between fair value and carrying amount of these financial assets as they are short-term in nature or have interest rates that re-price frequently. The fair value of deposits with longer maturities are estimated using discounted cash flows applying market rates for counterparties with similar credit quality.

Government bonds, certificates of deposit and other debt securities

The Group values these unquoted debt securities using discounted cash flow valuation models where the lowest level input that is significant to the entire measurement is observable in an active market. These inputs include assumptions regarding current rates of interest and credit spreads.

Loans and advances to customers

For the purpose of this disclosure, fair value of loans and advances to customers is estimated using discounted cash flows by applying current rates for new loans granted during the year with similar remaining maturities and to counterparties with similar credit quality.

Deposits from banks and customers

In many cases, the fair value disclosed approximates carrying value because these financial liabilities are short-term in nature or have interest rates that re-price frequently. The fair value for deposits with long-term maturities, such as time deposits, are estimated using discounted cash flows, applying either market rates or current rates for deposits of similar remaining maturities.

	2018			
	Valuation techniques			
LL Million	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed				
Cash and balances with central banks	283,800	31,429,120	-	**31,712,920**
Due from banks and financial institutions	-	2,366,539	-	**2,366,539**
Loans to banks and financial institutions	-	36,824	-	**36,824**
Net loans and advances to customers at amortized cost	-	-	10,761,589	**10,761,589**
Net loans and advances to related parties at amortized cost	-	-	24,563	**24,563**
Debtors by acceptances	-	-	191,492	**191,492**
Financial assets at amortized cost:	1,714,788	5,285,374	-	**7,000,162**
Treasury bills and bonds	*903,971*	*3,690,998*	*-*	***4,594,969***
Certificates of deposit - central banks	*-*	*1,555,946*	*-*	***1,555,946***
Corporate debt securities	*810,817*	*34,197*	*-*	***845,014***
Certificates of deposit – private sector	*-*	*4,233*	*-*	***4,233***
Liabilities for which fair values are disclosed				
Due to central banks	-	7,116,178	-	**7,116,178**
Repurchase agreements	-	25,826	-	**25,826**
Due to banks and financial institutions	-	866,085	-	**866,085**
Customers' deposits at amortized cost	-	40,518,296	-	**40,518,296**
Deposits from related parties at amortized cost	-	164,525	-	**164,525**
Debt issued and other borrowed funds	-	456,288	-	**456,288**
Engagements by acceptances	-	-	192,751	**192,751**

LL Million	2017			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed:				
Cash and balances with central banks	266,712	25,581,642	-	**25,848,354**
Due from banks and financial institutions	-	3,562,815	-	**3,562,815**
Loans to banks and financial institutions	-	45,263	-	**45,263**
Net loans and advances to customers at amortized cost	-	-	11,367,681	**11,367,681**
Net loans and advances to related parties at amortized cost	-	-	28,215	**28,215**
Debtors by acceptances	-	-	150,791	**150,791**
Financial assets at amortized cost:	1,376,335	6,400,580	-	**7,776,915**
Treasury bills and bonds	*520,795*	*4,361,717*	-	***4,882,512***
Certificates of deposit - central banks	-	*2,001,965*	-	***2,001,965***
Corporate debt securities	*855,540*	*32,874*	-	***888,414***
Certificates of deposit – private sector	-	*4,024*	-	***4,024***
Liabilities for which fair values are disclosed:				
Due to central banks	-	2,254,945	-	**2,254,945**
Repurchase agreements	-	7,263	-	**7,263**
Due to banks and financial institutions	-	578,682	-	**578,682**
Customers' deposits at amortized cost	-	40,157,487	-	**40,157,487**
Deposits from related parties at amortized cost	-	185,710	-	**185,710**
Engagements by acceptances	-	-	150,791	**150,791**

48. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

The maturity profile of the Group's assets and liabilities as at 31 December is as follows:

	2018		
LL Million	Less than one year	More than one year	Total
Assets			
Cash and balances with central banks	4,241,406	28,894,001	33,135,407
Due from banks and financial institutions	2,333,141	33,628	2,366,769
Loans to banks and financial institutions	16,751	21,113	37,864
Derivative financial instruments	18,752	-	18,752
Financial assets at fair value through profit or loss	1,264	360,037	361,301
Net loans and advances to customers at amortized cost	6,988,193	3,788,627	10,776,820
Net loans and advances to related parties at amortized cost	16,604	7,839	24,443
Debtors by acceptances	191,492	-	191,492
Financial assets at amortized cost	740,247	6,670,214	7,410,461
Financial assets at fair value through other comprehensive income	-	14,605	14,605
Property and equipment	-	803,825	803,825
Intangible assets	-	4,991	4,991
Assets obtained in settlement of debt	-	58,276	58,276
Other assets	164,011	15,537	179,548
Goodwill	-	1,984	1,984
Total assets	**14,711,861**	**40,674,677**	**55,386,538**
Liabilities			
Due to central banks	105,851	7,010,371	7,116,222
Repurchase agreements	25,826	-	25,826
Due to banks and financial institutions	833,629	32,432	866,061
Derivative financial instruments	22,621	-	22,621
Customers' deposits at amortized cost	40,095,663	317,741	40,413,404
Deposits from related parties at amortized cost	164,218	-	164,218
Debt issued and other borrowed funds	-	456,288	456,288
Engagements by acceptances	192,751	-	192,751
Other liabilities	746,475	103,320	849,795
Provisions for risks and charges	56,102	295,959	352,061
Total liabilities	**42,243,136**	**8,216,111**	**50,459,247**
Net	**(27,531,275)**	**32,458,566**	**4,927,291**

	2017		
LL Million	Less than one year	More than one year	Total
Assets			
Cash and balances with central banks	3,494,014	21,136,477	24,630,491
Due from banks and financial institutions	3,467,623	95,630	3,563,253
Loans to banks and financial institutions	25,884	18,629	44,513
Derivative financial instruments	20,401	-	20,401
Financial assets at fair value through profit or loss	1,392	362,323	363,715
Net loans and advances to customers at amortized cost	8,809,194	2,526,781	11,335,975
Net loans and advances to related parties at amortized cost	17,712	10,433	28,145
Debtors by acceptances	150,791	-	150,791
Financial assets at amortized cost	1,948,584	5,907,791	7,856,375
Financial assets at fair value through other comprehensive income	-	4,224	4,224
Property and equipment	-	797,875	797,875
Intangible assets	-	2,173	2,173
Assets obtained in settlement of debt	-	60,680	60,680
Other assets	187,818	11,679	199,497
Goodwill	-	1,996	1,996
Total assets	**18,123,413**	**30,936,691**	**49,060,104**
Liabilities			
Due to central banks	395,166	1,859,779	2,254,945
Repurchase Agreements	7,263	-	7,263
Due to banks and financial institutions	578,685	-	578,685
Derivative financial instruments	34,387	-	34,387
Customers' deposits at amortized cost	39,334,425	642,594	39,977,019
Deposits from related parties at amortized cost	177,475	8,096	185,571
Engagements by acceptances	150,791	-	150,791
Other liabilities	709,988	107,410	817,398
Provisions for risks and charges	58,767	464,657	523,424
Total liabilities	**41,446,947**	**3,082,536**	**44,529,483**
Net	**(23,323,534)**	**27,854,155**	**4,530,621**

49. RISK MANAGEMENT

The Group manages its business activities within risk management guidelines as set by the Group's "Risk Management Policy" approved by the Board of Directors. The Group recognizes the role of the Board of Directors and executive management in the risk management process as set out in the Banking Control Commission circular 242. In particular, it is recognized that ultimate responsibility for establishment of effective risk management practices and culture lies with the Board of Directors as does the establishing of the Group's risk appetite and tolerance levels. The Board of Directors delegates through its Risk Management Committee the day-to-day responsibility for establishment and monitoring of risk management process across the Group's group to the Group Chief Risk Officer, who is directly appointed by the Board of Directors, in coordination with executive management at BLOM BANK SAL.

The Group is mainly exposed to credit risk, liquidity risk, market risk and operational risk.

The Board's Risk Management Committee has the mission to periodically (1) review and assess the risk management function of the Group, (2) review the adequacy of the Group's capital and its allocation within the Group, and (3) review risk limits and reports and make recommendations to the Board.

The Group Chief Risk Officer undertakes his responsibilities through the "Group Risk Management Division" in Beirut which also acts as Group Risk Management, overseeing and monitoring risk management activities throughout the Group. The Group Chief Risk Officer is responsible for establishing the function of Risk Management and its employees across the Group.

BLOM BANK's Risk Management aids executive management in monitoring, controlling and actively managing and mitigating the Group's overall risk. The Division mainly ensures that:

• Risk practices are fit for purpose and aligned with best practices as far as practicable.
• Risk policies and methodologies are consistent with the Group's risk appetite.
• Limits and risk across banking activities are monitored and managed throughout the Group.

Through a comprehensive risk management framework, transactions and outstanding risk exposures are quantified and compared against authorized limits, whereas non-quantifiable risks are monitored against policy guidelines as set by the Group's "Risk Management Policies". Any discrepancies, breaches or deviations are escalated to executive senior management in a timely manner for appropriate action.

In addition to the Group's Risk Management in Lebanon, risk managers and / or risk officers were assigned within the Group's foreign subsidiaries or branches to report to the Group Risk Management and executive senior management in a manner that ensures:

• Standardization of risk management functions and systems developed across the Group.
• Regional consistency of conducted business in line with the board's approved risk appetite.

The major objective of risk management is the implementation of sound risk management practices and the Basel frameworks as well as all related regulatory requirements within the Group. Pillar I capital adequacy calculations have been generated since December 2004. Bank Risk Management is progressively complying with the requirements of pillars II and III and is periodically updating and submitting the Internal Capital Adequacy Assessment Process (ICAAP) for BLOM BANK Group on an individual and consolidated basis. The Group has documented a Board approved Recovery Plan.

In the process of insuring adequate and sound disclosures the Group has documented a Board approved Disclosure policy.

49.1 CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations, including the full and timely payment of principal and interest. Credit risk arises from various balance sheet and off-balance sheet exposures including interbank, loans and advances, credit commitments, financial guarantees, letters of credit, acceptances, investments in debt securities (including sovereign) and derivative financial instruments. Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit risk appetite and limits are set at the Group level by the Board and are cascaded to the entities, which in turn formulate their own limits in line with the Group's risk appetite. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

Credit risk is monitored by the Group's Credit Risk Department, which is responsible for assisting the Group in establishing a credit risk management culture that promotes good analysis, judgment, flexibility and balance between risk and reward.

The Group has established various credit quality review processes to provide early identification of possible changes in the creditworthiness of counterparties, including regular revisions of credit files, including ratings and collateral quality. The credit quality review process allows the Group early detections of changes in assets quality, estimate the potential loss and take early corrective actions.

As part of its credit risk governance structure, the Group has established credit committees for the approval and renewal of credit facilities. Credit committees are responsible for the approval of facilities up to the limit assigned to them, which depends on the size of the exposure and the obligor's creditworthiness as measured by his internal rating. Once approved, facilities are disbursed when all the requirements set by the respective approval authority are met and documents intended as security are obtained and verified by the Credit Administration function.

49.1.1 EXPECTED CREDIT LOSSES (ECL)

1. Governance and oversight of expected credit losses

The Group's IFRS 9 Impairment Committee, which is a committee composed of Executive Committee members, oversees the ECL estimation framework by: i) reviewing key assumptions and estimations that are part of the ECL calculations; ii) approving the forward-looking economic scenarios; iii) approving staging classifications on a name-by-name basis for material exposures and iv) reviewing ECL results.

Impairment policy requirements are set and reviewed regularly, at a minimum annually, to maintain adherence to accounting standards and evolving business models. Key judgements inherent in policy, including the estimated life of revolving credit facilities and the quantitative criteria for assessing the Significant Increase in Credit Risk (SICR), are assessed through a combination of expert judgment and data-driven methodologies.

ECL is estimated using a model that takes into account borrowers' exposure, internal obligor risk rating, facility characteristic, and collateral information among others. Models are, by their nature, imperfect and incomplete representations of reality because they rely on assumptions and inputs, and so they may be subject to errors affecting the accuracy of their outputs. To manage the model risks, the Group has established a systematic approach for the development, validation, approval, implementation and on-going use of the models. Models are validated by a qualified independent party to the model development unit, before first use and at a minimum annually thereafter. Each model is designated an owner who is responsible for:
- Monitoring the performance of the model, which includes comparing estimated ECL versus actual ECL; and
- Proposing post-model development adjustments to enhance model's accuracy or to account for situations where known or expected risk factors and information have not been considered in the modelling process.
- Each model used in the estimation of ECL, including key inputs, are governed by a series of internal controls, which include the validation of completeness and accuracy of data, reconciliation with financial data, and documentation of the calculation steps.

ECL estimation takes into account a range of future economic scenarios, which are set by credit risk modelers using independent models and expert judgment. Economic scenarios are prepared on a frequent basis, at a minimum annually, to align with the Group's medium-term planning exercise, but also in the event of significant change in the prevailing economic conditions. The scenario probability weights are periodically updated depending on market conditions.

2. Definition of default and cure

The Group considers a financial instrument defaulted for ECL calculations when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held);
- The borrower is more than 90 days past due on any material credit obligation to the Group.
- It is becoming probable that the borrower will restructure its debt due to the borrower's inability to pay its credit obligations.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

As a part of a qualitative assessment, the Group carefully considers whether the events listed above should result in classifying the exposures as Stage 3 for ECL calculations or whether Stage 2 is appropriate.

It is the Group's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for a specific period of time and after obtaining the approval of the Credit Committee. The decision whether to classify an asset as Stage 2 or Stage 1 once cured is dependent on the absence of SICR criteria compared to initial recognition and is examined on a case by case basis. In case of forbearance under Stage 2, the borrower remains in this stage until all the following conditions have been met: i) at least a 12-month probation period has passed, ii) three consecutive payments under the new repayment schedule have been made, iii) the borrower has no past dues under any obligation to the Group, and iv) all the terms and conditions agreed to as part of the restructuring have been met.

3. The Group's internal rating and PD estimation process

Treasury, trading and interbank relationships

For non-loan exposures, external credit ratings are used and mapped to the corresponding PDs reported by credit rating agencies. These are continuously monitored and updated.

Non-consumer loans

The Risk function, which is independent from business lines, is responsible for the development and maintenance of internal rating models, and for the estimation of Probability of Default (PD) and Loss Given Default (LGD). The Group uses an internal rating scale comprised of 10 performing grades and 3 non-performing grades. The grades generated by internal rating models are mapped to PDs using historical default observations that are specific to each country and loan portfolio. If historical default observations are not sufficient for a reliable PD estimation, than a low-default portfolio approach is adopted. The mapping of rating to PD, which is done initially on a through-the-cycle basis is then adjusted to a point-in-time basis in line with IFRS 9 requirements.

These internal rating models for the Group's key lending portfolios including Corporate and SME obligors incorporate both qualitative and quantitative criteria such as:

- Historical and projected financial information including debt service coverage, operations, liquidity and capital structure;
- Account behavior, repayment history and other non-financial information such as management quality, company standing and industry risk;
- Any publicly available information related to the clients from external parties. This includes external rating grades issued by rating agencies, independent analyst reports and other market disclosures; and
- Any other objectively supportable information on the obligor's willingness and capacity of repayment.

Internal ratings are initially assigned by the credit origination functions (i.e. business lines) and are approved and validated by the Credit Review and Credit Risk function, which are independent from business lines. Credit Review and Credit Risk functions are responsible for ensuring that ratings assigned to obligors are accurate and updated at all times.

Consumer loans

Consumer lending comprises mainly of personal loans, credit cards, car loans and housing loans. These products are rated by an automated scorecard tool primarily driven by days past due.

The Group also relies on behavioral scorecards to predict the probability of default within a specific timeframe. This scorecard is built primarily on the repayment history of consumer borrowers, and include other predictive factors.

For the estimation of expected losses for consumer products, the Group uses currently the loss rate approach by product based on the net flow of exposures from one days-past-due bucket to another. This estimation is adjusted by a forward-looking component in line with the IFRS9 standard.

4. Exposure at default
EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

5. Loss Given Default
LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD based on the history of recovery rates of claims against defaulted counterparties. It is estimated using information on the counterparty and collateral type including recovery costs. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

6. Significant increase in credit risk
The Group continuously monitors all its credit risk exposures. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Group assesses whether there has been a significant increase in credit risk since initial recognition, using reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and expert credit assessment including forward-looking information. The Group's assessment of significant increase in credit risk is being performed at least quarterly based on the following:

Non-Consumer loans
Migration of obligor risk rating by a certain number of notches from origination to reporting date as a key indicator of the change in the risk of default at origination with the risk of default at reporting date.

Consumer loans
Thresholds have been based on historical default rates and historical payment behavior to determine significant increase in credit risk.

Qualitative criteria
For non-Consumer loans, the Group also considers in its assessment of significant increase in credit risk, various qualitative factors including significant adverse changes in the business condition, restructuring due to credit quality weakness during the past 12-months, classification of an exposure under the "Follow-up and arrange" supervisory classification. For Consumer loans, the Group considers specific events that might be indicative of a significant increase in credit risk such as the event of restructuring.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired at the reporting date.

7. Expected Life
With the exception of credit cards and other revolving facilities the maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Group has the legal right to call it earlier. With respect to credit cards and other revolving facilities, the Group does not limit its exposure to credit losses to the contractual notice period, but, instead calculates ECL over a period of 1 year, its likelihood of default and the Group's future risk mitigation procedures, which could include reducing or cancelling the facilities.

8. Forward Looking Information
The Group incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

On the PD level, the Group formulates three economic scenarios: a base case, which is the median scenario assigned with a certain probability of occurring, and two less likely scenarios, one upside and one downside, each assigned a specific probability of occurring, then, a weighted average PD is generated and used for the calculation of the ECL.

External information considered includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Group operates, organizations such as World Bank and the International Monetary Fund, and selected private-sector and academic forecasters. A team of specialists within the Group's Credit Risk Department verifies the accuracy of inputs to the Group's ECL models including determining the weights attributable to the multiple scenarios of the PD.

The Group has identified the real GDP growth among others, as the key driver of ECL. Using an analysis of historical data, the Group has estimated relationships between this macro-economic variable and credit losses. The ECL estimates have been assessed for sensitivity to changes to forecasts of the macro-variable and also together with changes to the weights assigned to the scenarios. The impact on ECL is not material.

9. Modified and forborne loans

From 1 January 2018
The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in the Summary of significant accounting policies above.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximize collection opportunities and minimize the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both consumer and corporate loans are subject to the forbearance policy.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk.

The table below includes Stage 2 and 3 assets that were modified and, therefore, treated as forborne during the period, with the related modification loss suffered by the Group.

LL Million	2018
Amortized costs of financial assets modified during the period	**155,164**

There are no previously modified financial assets for which loss allowance has changed to 12mECL measurement as at 31 December 2018. There are no previously modified financial assets for which loss allowance had changed to 12mECL measurement and reverted to LTECL as at 31 December 2018.

Before 1 January 2018
Restructuring activity aims to manage customer relationships, maximize collection opportunities and, if possible, avoid foreclosure or repossession. Such activities include extended payment arrangements, deferring foreclosure, modification, loan rewrites and/or deferral of payments pending a change in circumstances.

Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that repayment will probably continue. The application of these policies varies according to the nature of the market and the type of the facility.

LL Million	2017
Commercial loans	**346,856**

10. Financial Assets and ECLs by stage

The tables below presents an analysis of financial assets at amortized cost by gross exposure and impairment allowance by stage allocation as at 31 December 2018 and 1 January 2018. The Group does not hold any material purchased or originated credit-impaired assets as at year-end.

	Gross exposure			
LL Million	Stage 1	Stage 2	Stage 3	Total
31 December 2018				
Cash and balances with central banks	33,215,934	-	-	33,215,934
Due from banks and financial institutions	2,369,453	-	1,232	2,370,685
Loans to banks and financial institutions	38,147	-	-	38,147
Loans and advances to customers at amortized cost	9,978,084	773,819	505,377	11,257,280
Commercial loans	*5,519,067*	*722,153*	*386,318*	*6,627,538*
Consumer loans	*4,459,017*	*51,666*	*119,059*	*4,629,742*
Loans and advances to related parties at amortized cost	24,463	-	-	24,463
Debtors by acceptances	191,856	895	-	192,751
Financial assets at amortized cost	7,426,916	-	5,433	7,432,349
Financial guarantees and other commitments	3,113,823	53,478	83	3,167,384
Total	**56,358,676**	**828,192**	**512,125**	**57,698,993**

	Gross exposure			
LL Million	Stage 1	Stage 2	Stage 3	Total
1 January 2018				
Cash and balances with central banks	24,630,491	-	-	24,630,491
Due from banks and financial institutions	3,563,253	-	1,752	3,565,005
Loans to banks and financial institutions	44,513	-	-	44,513
Loans and advances to customers at amortized cost	10,580,784	685,919	513,034	11,779,737
Commercial loans	*5,835,154*	*640,739*	*397,367*	*6,873,260*
Consumer loans	*4,745,630*	*45,180*	*115,667*	*4,906,477*
Loans and advances to related parties at amortized cost	28,145	-	-	28,145
Debtors by acceptances	150,791	-	-	150,791
Financial assets at amortized cost	7,856,321	-	5,691	7,862,012
Financial guarantees and other commitments	3,433,400	24,173	113	3,457,686
Total	**50,287,698**	**710,092**	**520,590**	**51,518,380**

Impairment allowance				
Stage 1	Stage 2	Stage 3	Total	Net exposure
(80,527)	-	-	(80,527)	33,135,407
(2,684)	-	(1,232)	(3,916)	2,366,769
(283)	-	-	(283)	37,864
(23,691)	(68,088)	(388,681)	(480,460)	10,776,820
(18,626)	*(62,839)*	*(304,512)*	*(385,977)*	*6,241,561*
(5,065)	*(5,249)*	*(84,169)*	*(94,483)*	*4,535,259*
(20)	-	-	(20)	24,443
(1,251)	(8)	-	(1,259)	191,492
(16,507)	-	(5,381)	(21,888)	7,410,461
(2,014)	(86)	(31)	(2,131)	3,165,253
(126,977)	**(68,182)**	**(395,325)**	**(590,484)**	**57,108,509**

Impairment allowance				
Stage 1	Stage 2	Stage 3	Total	Net exposure
(62,873)	-	-	(62,873)	24,567,618
(4,443)	-	(1,752)	(6,195)	3,558,810
(281)	-	-	(281)	44,232
(35,879)	(77,626)	(377,157)	(490,662)	11,289,075
(31,146)	*(72,189)*	*(316,478)*	*(419,813)*	*6,453,447*
(4,733)	*(5,437)*	*(60,679)*	*(70,849)*	*4,835,628*
(13)	-	-	(13)	28,132
(753)	-	-	(753)	150,038
(17,278)	-	(5,637)	(22,915)	7,839,097
(3,121)	(77)	(75)	(3,273)	3,454,413
(124,641)	**(77,703)**	**(384,621)**	**(586,965)**	**50,931,415**

The following table represents a reconciliation of the opening to the closing balance of impairment allowances of loans and advances at amortized cost:

LL Million	2018			
	Stage 1	Stage 2	Stage 3	Total
Balance as of 1 January	102,887	-	340,875	443,762
Effect of IFRS 9 adoption (note 2)	(67,008)	77,626	36,282	46,900
Amended balance as of 1 January	**35,879**	**77,626**	**377,157**	**490,662**
Impairment loss for the year (note 13)	7,740	1,981	133,570	143,291
Recoveries (note 13)	(22,754)	(1,004)	(87,961)	(111,719)
Charge for the year (transfer from (to) excess provisions under "Provisions for risks and charges")	34,343	(10,782)	18,587	42,148
Transfer to provisions for risks and charges (note 36)	(22,990)	-	-	(22,990)
Transfers between stages	(8,467)	270	8,197	-
Unrealized interest for the year	-	-	25,341	25,341
Transfer to off-financial position	-	-	(72,114)	(72,114)
Direct write-offs	-	-	(3,817)	(3,817)
Translation Difference	(60)	(3)	(10,279)	(10,342)
At 31 December 2018	**23,691**	**68,088**	**388,681**	**480,460**

49.1.2 ANALYSIS OF RISK CONCENTRATION

The Group's concentrations of risk are managed by client/counterparty, geographical region and industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2018 was LL 257,499 million (2017: LL 264,977 million), before taking into account collateral or other credit enhancements and LL 324,940 million (2017: LL 325,129 million) net of such protection.

The Group controls credit risk by maintaining close monitoring credit of its assets exposures by geographic location. The distribution of financial assets by geographic region as of 31 December is as follows:

49.1.2.1 GEOGRAPHICAL LOCATION ANALYSIS

LL Million	2018 Domestic	2018 International	2018 Total
Financial assets			
Cash and balances with central banks	30,094,503	3,040,904	33,135,407
Due from banks and financial institutions	292,130	2,074,639	2,366,769
Loans to banks and financial institutions	10,952	26,912	37,864
Derivative financial instruments	2,896	15,856	18,752
Financial assets at fair value through profit or loss	118,723	242,578	361,301
Treasury bills and bonds	*52,752*	-	*52,752*
Corporate debt securities	-	*8,993*	*8,993*
Equity instruments	*18,750*	*171,843*	*190,593*
Funds	*47,221*	*61,742*	*108,963*
Net loans and advances to customers at amortized cost	6,819,717	3,957,103	10,776,820
Commercial loans	*3,376,454*	*2,865,107*	*6,241,561*
Consumer loans	*3,443,263*	*1,091,996*	*4,535,259*
Net loans and advances to related parties at amortized cost	13,790	10,653	24,443
Debtors by acceptances	166,072	25,420	191,492
Financial assets at amortized cost	5,375,017	2,035,444	7,410,461
Treasury bills and bonds	*3,462,204*	*1,214,978*	*4,677,182*
Certificates of deposit – Central Bank of Lebanon	*1,875,763*	-	*1,875,763*
Corporate debt securities	*37,050*	*816,233*	*853,283*
Certificates of deposit – private sector	-	*4,233*	*4,233*
Financial assets at fair value through other comprehensive income	-	14,605	14,605
Total credit exposure	**42,893,800**	**11,444,114**	**54,337,914**

LL Million	2017 Domestic	2017 International	2017 Total
Financial assets			
Balances with central banks	23,036,165	1,594,326	24,630,491
Due from banks and financial institutions	551,684	3,011,569	3,563,253
Loans to banks and financial institutions	18,868	25,645	44,513
Derivative financial instruments	9,980	10,421	20,401
Financial assets at fair value through profit or loss	119,620	244,095	363,715
Treasury bills and bonds	*48,982*	*1*	*48,983*
Corporate debt securities	*273*	*9,321*	*9,594*
Funds	*52,106*	*55,270*	*107,376*
Shares	*18,259*	*179,503*	*197,762*
Net loans and advances to customers at amortized cost	7,557,830	3,778,145	11,335,975
Commercial loans	*3,830,691*	*2,684,553*	*6,515,244*
Consumer loans	*3,727,139*	*1,093,592*	*4,820,731*
Net loans and advances to related parties at amortized cost	17,476	10,669	28,145
Debtors by acceptances	136,226	14,565	150,791
Financial assets at amortized cost	5,081,697	2,774,678	7,856,375
Treasury bills and bonds	*3,177,256*	*1,743,426*	*4,920,682*
Certificates of deposit – central banks	*37,749*	*827,176*	*864,925*
Corporate debt securities	*1,862,668*	*204,076*	*2,066,744*
Certificates of deposit – private sector	*4,024*	-	*4,024*
Financial assets at fair value through other comprehensive income	-	4,224	4,224
Total credit exposure	**36,529,546**	**11,468,337**	**47,997,883**

49.1.2.2 CREDIT QUALITY

The Group assesses the quality of its credit portfolio using the following credit rating methodologies:
(i) External ratings from approved credit rating agencies for financial institutions and financial assets.

(ii) Internal rating models that take into account both financial as well as non-financial information such as management quality, operating environment and company standing.

(iii) Internally developed scorecards to assess the creditworthiness of retail borrowers in an objective manner and streamline the decision-making process.

(iv) Supervisory ratings, comprising six main categories: (a) Regular includes borrowers demonstrating good to excellent financial condition, risk factors, and capacity to repay. These loans demonstrate regular and timely payment of dues, adequacy of cash flows, timely presentation of financial statements, and sufficient collateral/guarantee when required. (b) Follow-up represents a lack of documentation related to a borrower's activity, an inconsistency between facilities' type and related conditions. (c) Follow-up and arrange includes credit worthy borrowers requiring close monitoring without being impaired. These loans might be showing weaknesses; insufficient or inadequate cash flows; highly leveraged; deterioration in economic sector or country where the facility is used; loan rescheduling more than once since initiation; or excess utilization above limit. (d) Substandard loans include borrowers with incapacity to repay from identified cash flows. Also included under this category are those with recurrent late payments and financial difficulties. (e) Doubtful loans where full repayment is questioned even after liquidation of collateral. It also includes loans stagnating for over 6 months and debtors who are unable to repay restructured loans. Finally, (f) Bad loans with no or little expected inflows from business or assets. This category also includes borrowers with significant delays and deemed insolvent.

Lebanese Sovereign
The Group applies two different PDs for the sovereign exposures. Eurobonds are assigned a PD of a B- rated sovereign instrument whereas Central Bank placements in foreign currency are assigned 50% of the PD assigned for Eurobonds. The TTC PD considered by the Group for the sovereign portfolio is derived based on rating agencies' external studies.

A forward-looking adjustment is performed on both PDs via beta regression by considering the relevant macro-economic factors as published by International data sources. The resulting PiT and forward-looking PDs are then used in the ECL calculation under the base case. The Group then projects these factors under a lower and upper scenario.

Banks and Financial Institutions
The Group considers the credit spread above a given LIBOR rate or credit rating as a reflective rate to general the required expected credit losses

Debt securities
The Group assigns the lowest rating amongst the three rating agencies (Moody's, Standard & Poor's and Fitch) for each instrument. The Group also segregates the country of issuance of these debt securities between Emerging and Advanced Economies based on the International data sources studies. The Group then conducts a correlation analysis per rating grade for each of the considered group of Advanced Economies and Emerging Economies. The resulting PDs are PiT and forward looking. The Group then generated scenarios at the PD level.

Commercial Loans
In accordance to the Group's policy, default is defined when the borrower is 90 days' past due, along with other qualitative indicators on a case-by-case basis. The default definition is reflected in the collection of the default rates on a yearly basis, to be used in the calibration stage of the PD calculation.

Consumer Loans
For the purpose of the loss rate calculation, the Group segregates its Consumer portfolio by product and displays the portfolio breakdown by bucket. The Group adopts this approach for its Consumer facilities that fall within Stage 1. The Group then analyzes monthly net flow rates whereby the loss rate for each delinquency bucket is computed by considering the flow into the designated loss bucket at which write-off is assumed to occur.

The table below shows the credit quality of the Group's financial assets and Contingent liabilities based on internal credit ratings and stage classification. The amounts presented are gross of impairment allowances.

	2018				2017
LL Million	Stage 1	Stage 2	Stage 3	Total	Total
Financial assets					
Cash and balances with central banks	33,215,934	-	-	33,215,934	24,630,491
Due from banks and financial institutions	2,369,453	-	1,232	2,370,685	3,565,005
Loans to banks and financial institutions	38,147	-	-	38,147	44,513
Loans and advances to customers at amortized cost	9,978,084	773,819	505,377	11,257,280	11,779,737
Commercial loans	*5,519,067*	*722,153*	*386,318*	*6,627,538*	*6,873,260*
Consumer loans	*4,459,017*	*51,666*	*119,059*	*4,629,742*	*4,906,477*
Loans and advances to related parties at amortized cost	24,463	-	-	24,463	28,145
Debtors by acceptances	191,856	895	-	192,751	150,791
Financial assets at amortized cost	7,426,916	-	5,433	7,432,349	7,862,012
Treasury bills and bonds	*4,682,385*	-	*5,433*	*4,687,818*	*4,926,319*
Certificates of deposit – central banks	*1,884,435*	-	-	*1,884,435*	*2,066,744*
Corporate debt securities	*855,777*	-	-	*855,777*	*864,925*
Certificates of deposit – Private sector	*4,319*	-	-	*4,319*	*4,024*
	53,244,853	**774,714**	**512,042**	**54,531,609**	**48,060,694**
Contingent liabilities					
Financial guarantees	1,119,369	16,713	83	1,136,165	1,064,581
Documentary credits	240,280	418	-	240,698	243,727
Loan commitments	1,754,174	36,347	-	1,790,521	2,149,378
	3,113,823	**53,478**	**83**	**3,167,384**	**3,457,686**

49.1.3 COLLATERAL AND OTHER CREDIT ENHANCEMENTS

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, capped to the maximum exposure to which it relates and the net exposure to credit risk.

	2018							
LL Million	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other	Net credit exposure	Associated ECL
Balances with central banks	32,851,607	-	2,342,765	-	-	-	30,508,842	(80,527)
Due from banks and financial institutions	2,366,769	-	4,241	-	-	-	2,362,528	(3,916)
Loans to banks and financial institutions	37,864	-	-	-	-	-	37,864	(283)
Derivative financial instruments	18,752	-	-	-	-	-	18,752	-
Financial assets at fair value through profit or loss	61,745	-	-	-	-	-	61,745	-
Net loans and advances to customers at amortized cost:	10,776,820	1,481,643	124,227	101,537	4,991,343	2,426,735	1,651,335	(480,460)
Commercial loans	*6,241,561*	*1,424,484*	*124,227*	*101,537*	*2,117,197*	*1,059,933*	*1,414,183*	*(385,977)*
Consumer loans	*4,535,259*	*57,159*	*-*	*-*	*2,874,146*	*1,366,802*	*237,152*	*(94,483)*
Net loans and advances to related parties at amortized cost	24,443	9,904	113	1,948	5,922	173	6,383	(20)
Debtors by acceptances	191,492	-	-	-	-	-	191,492	(1,259)
Financial assets at fair value through other comprehensive income	14,605	-	-	-	-	-	14,605	-
Financial assets at amortized cost	7,410,461	-	-	-	-	-	7,410,461	(21,888)
	53,754,558	**1,491,547**	**2,471,346**	**103,485**	**4,997,265**	**2,426,908**	**42,264,007**	**(588,353)**
Guarantees received								
Utilized collateral		1,491,547	2,471,346	103,485	4,997,265	2,426,908	11,490,551	
Surplus of collateral before undrawn credit lines		488,664	433,174	55,061	4,211,041	6,422,771	11,610,711	
		1,980,211	**2,904,520**	**158,546**	**9,208,306**	**8,849,679**	**23,101,262**	

	2017						
LL Million	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other	Net credit exposure
Balances with central banks	24,363,779	-	1,407,524	-	-	-	22,956,255
Due from banks and financial institutions	3,563,253	-	4,000	-	-	-	3,559,253
Loans to banks and financial institutions	44,513	-	-	-	-	-	44,513
Derivative financial instruments	20,401	-	-	-	-	-	20,401
Financial assets at fair value through profit or loss	58,577	-	-	-	-	-	58,577
Net loans and advances to customers at amortized cost:	11,335,975	1,354,977	220,501	146,442	5,007,258	2,445,914	2,160,883
Commercial loans	*6,515,244*	*1,294,372*	*220,501*	*146,442*	*2,043,190*	*980,749*	*1,829,990*
Consumer loans	*4,820,731*	*60,605*	*-*	*-*	*2,964,068*	*1,465,165*	*330,893*
Net loans and advances to related parties at amortized cost	28,145	8,232	123	-	7,998	63	11,729
Debtors by acceptances	150,791	-	-	-	-	-	150,791
Financial assets at amortized cost	7,856,375	-	-	-	-	-	7,856,375
	47,421,809	**1,363,209**	**1,632,148**	**146,442**	**5,015,256**	**2,445,977**	**36,818,777**
Guarantees received from banks, financial institutions and customers							
Utilized collateral		1,363,209	1,632,148	146,442	5,015,256	2,445,977	10,603,032
Surplus of collateral before undrawn credit lines		741,883	162,996	42,126	4,276,233	6,125,269	11,348,507
		2,105,092	**1,795,144**	**188,568**	**9,291,489**	**8,571,246**	**21,951,539**

The schedules shown above exclude the undrawn commitments to lend of LL 1,790,521 million for the year ended 31 December 2018 (2017: LL 2,149,378 million).

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

Management monitors the market value of collateral on a regular basis and requests additional collateral in accordance with the underlying agreement when deemed necessary.

The main types of collateral obtained are as follows:

- *Securities:* the balances shown represent the fair value of the securities.
- *Letters of credit / guarantees:* The Group holds in some cases guarantees, letters of credit and similar instruments from banks and financial institutions which enable it to claim settlement in the event of default on the part of the counterparty. The balances shown represent the notional amount of these types of guarantees held by the Group.
- *Real estate (commercial and residential):* The Group holds in some cases a first degree mortgage over residential property (for housing loans) and commercial property (for commercial loans). The value shown reflects the fair value of the property limited to the related mortgaged amount.
- *Netting agreements:* the Group makes use of master netting agreements and other arrangements not eligible for netting under IAS 32 Financial Instruments: Presentation with its counterparties. Such arrangements provide for single net settlement of all financial instruments covered by the agreements in the event of default on any one contract. Although, these master netting arrangements do not normally result in an offset of balance sheet assets and liabilities (as the conditions for offsetting under IAS 32 may not apply), they, nevertheless, reduce the Group's exposure to credit risk, as shown in the tables on the following pages. Although master netting arrangements may significantly reduce credit risk, it should be noted that the credit risk is eliminated only to the extent of amounts due to the same counterparty.

In addition, the Group also obtains guarantees from parent companies for loans to their subsidiaries, personal guarantees for loans to companies owned by individuals and assignments of insurance proceeds and revenues, which are not reflected in the above table.

49.2 LIQUIDITY RISK

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, Management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high quality liquid assets.

The Group maintains a portfolio of highly marketable and diverse assets that can be liquidated in the event of an unforeseen interruption of cash flow. As per applicable regulations, the Bank must retain obligatory reserves with the central banks where the Group and its branches operate.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The Group maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking market conditions into consideration.

Regulatory ratios and limits
In accordance with the Central Bank of Lebanon circulars, the ratio of net liquid assets to deposits in foreign currencies should not be less than 10%. The net liquid assets consist of cash and all balances with the Central Bank of Lebanon (excluding reserve requirements), certificates of deposit issued by the Central Bank of Lebanon irrespective of their maturities and deposits due from other banks that mature within one year, less deposits due to the Central Bank of Lebanon and deposits due to banks that mature within one year. Deposits are composed of total customer deposits (excluding blocked accounts) and due from financial institutions irrespective of their maturities and all certificates of deposits and acceptances and other debt instruments issued by the Group and loans from the public sector that mature within one year.

Furthermore, in accordance with the Central Bank of Lebanon circulars, the ratio of liquid assets to net tier 1 capital in Lebanese Lira should not be less than 40%. The liquid assets consist of cash and deposits with the Central Bank of Lebanon (excluding reserve requirements) and deposits due from other banks that mature within one year as well as Lebanese Treasury Bills that mature within one year.

Liquidity ratios

Loans to deposit ratios	2018	2017
Year-end	26.32%	28.30%
Average	27.28%	28.42%
Maximum	28.34%	28.85%
Minimum	26.32%	28.16%

The Group stresses the importance of customers' deposits as sources of funds to finance its lending activities. This is monitored by using the advances to deposit ratio, which compares loans and advances to customers as a percentage of clients' deposits.

Net liquid assets to customer liabilities ratios	2018	2017
Year-end	12.14%	13.74%
Average	12.43%	12.47%
Maximum	13.33%	13.74%
Minimum	11.81%	11.37%

Net liquid assets are liquid assets less all funds maturing in the next 30 days from wholesale market sources and from customers who are deemed to be professional. The Group defines liquid assets for the purposes of the liquidity ratio as cash balances, short-term interbank deposits and highly rated debt securities available for immediate sale and for which a liquid market exists.

Analysis of financial assets and liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial assets and liabilities as at 31 December based on their contractual undiscounted cash flows. The contractual maturities were determined based on the period remaining to each maturity as per the statement of financial position actual commitments. Repayments which are subject to notice are treated as if notice were being given immediately. Concerning deposits, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay.

The table does not reflect the expected cash flows indicated by the Group's deposit retention history.

	2018					
LL Million	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Cash and balances with central banks	3,497,338	808,266	2,231,279	14,015,771	36,967,853	57,520,507
Due from banks and financial institutions	2,279,341	98,952	110,806	33,465	172	2,522,736
Loans to banks and financial institutions	196	1,096	16,721	22,572	-	40,585
Derivative financial instruments	18,315	437	-	-	-	18,752
Financial assets at fair value through profit or loss	389	1,264	4,159	94,917	291,462	392,191
Net loans and advances to customers at amortized cost	2,975,575	1,733,425	4,125,351	4,235,334	1,333,631	14,403,316
Net loans and advances to related parties at amortized cost	16,637	255	793	2,079	7,901	27,665
Debtors by acceptances	65,981	125,198	313	-	-	191,492
Financial assets classified at amortized cost	237,530	261,090	702,553	4,980,869	3,803,344	9,985,386
Financial assets at fair value through other comprehensive income	-	-	-	11,825	2,781	14,606
Total undiscounted financial assets	**9,091,302**	**3,029,983**	**7,191,975**	**23,396,832**	**42,407,144**	**85,117,236**
Financial liabilities						
Due to central banks	30,774	56,279	151,782	1,849,752	6,112,167	8,200,754
Repurchase agreements	26,024	-	-	-	-	26,024
Due to banks and financial institutions	661,704	118,915	107,559	34,862	-	923,040
Derivative financial instruments	22,170	451	-	-	-	22,621
Customers' deposits at amortized cost	29,049,548	7,759,394	3,635,324	361,694	1,014	40,806,974
Deposits from related parties at amortized cost	158,363	6,749	473	-	-	165,585
Debt issued and other borrowed funds	2,813	5,625	25,314	571,141	-	604,893
Engagements by acceptances	66,399	126,004	348	-	-	192,751
Total undiscounted financial liabilities	**30,017,795**	**8,073,417**	**3,920,800**	**2,817,449**	**6,113,181**	**50,942,642**
Net undiscounted financial assets / (liabilities)	**(20,926,493)**	**(5,043,434)**	**3,271,175**	**20,579,383**	**36,293,963**	**34,174,594**

LL Million	2017 Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Cash and balances with central banks	2,853,646	547,080	1,614,859	12,113,739	24,032,154	41,161,478
Due from banks and financial institutions	2,938,696	350,764	179,342	95,758	-	3,564,560
Loans to banks and financial institutions	10,853	309	16,204	19,418	-	46,784
Derivative financial instruments	17,093	3,307	1	-	-	20,401
Financial assets at fair value through profit or loss	607	1,145	3,452	81,205	308,992	395,401
Net loans and advances to customers at amortized cost	3,448,885	1,621,071	4,097,679	2,338,608	756,338	12,262,581
Net loans and advances to related parties at amortized cost	15,476	125	2,839	6,261	6,945	31,646
Debtors by acceptances	53,754	96,303	734	-	-	150,791
Financial assets at amortized cost	375,368	898,188	1,126,154	4,355,350	3,545,919	10,300,979
Financial assets at fair value through other comprehensive income	-	-	-	-	4,224	4,224
Total undiscounted financial assets	**9,714,378**	**3,518,292**	**7,041,264**	**19,010,339**	**28,654,572**	**67,938,845**
Financial liabilities						
Due to central banks	16,322	35,591	379,745	948,712	1,073,880	2,454,250
Repurchase Agreements	7,355	-	-	-	-	7,355
Due to banks and financial institutions	461,358	63,492	55,417	-	-	580,267
Derivative financial instruments	26,699	7,686	2	-	-	34,387
Customers' deposits at amortized cost	8,623,205	26,471,577	4,565,442	670,888	29,467	40,360,579
Deposits from related parties at amortized cost	176,543	618	1,055	8,455	-	186,671
Engagements by acceptances	53,754	96,303	734	-	-	150,791
Total undiscounted financial liabilities	**9,365,236**	**26,675,267**	**5,002,395**	**1,628,055**	**1,103,347**	**43,774,300**
Net undiscounted financial assets / (liabilities)	**349,142**	**(23,156,975)**	**2,038,869**	**17,382,284**	**27,551,225**	**24,164,545**

The table below shows the contractual expiry by maturity of the Group's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

LL Million	2018 Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial guarantees	1,136,165	-	-	-	-	1,136,165
Documentary credits	-	240,698	-	-	-	240,698
Loan commitments	-	1,790,521	-	-	-	1,790,521
Other commitments	-	53,789	-	1,184,992	1,157,773	2,396,554
Total	**1,136,165**	**2,085,008**	**-**	**1,184,992**	**1,157,773**	**5,563,938**

LL Million	2017 Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial guarantees	1,064,581	-	-	-	-	1,064,581
Documentary credits	-	243,727	-	-	-	243,727
Loan commitments	-	2,149,378	-	-	-	2,149,378
Other commitments	-	65,276	-	672,287	735,237	1,472,800
Total	**1,064,581**	**2,458,381**	**-**	**672,287**	**735,237**	**4,930,486**

49.3 MARKET RISK

Market risk is defined as the potential loss in both on balance sheet and off-balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates and equity prices.

Bank Risk Management is responsible for generating internal reports quantifying the Group's earnings at risk due to extreme movements in interest rates, while daily monitoring the sensitivity of the Group's trading portfolio of fixed income securities to changes in market prices and / or market parameters. Interest rate sensitivity gaps are reported to executive management and to the Banking Control Commission on a monthly basis. The Group's Asset and Liability Management (ALM) policy assigns authority for its formulation, revision and administration to the Asset / Liability Committee (ALCO) of BLOM BANK SAL. Bank Risk Management is responsible for monitoring compliance with all limits set in the ALM Policy ranging from core foreign currency liquidity to liquidity mismatch limits to interest sensitivity gap limits.

A- INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of the financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate re-pricing of assets and liabilities that mature or are re-priced in a given period. The Group manages the risk by matching the re-pricing of assets and liabilities through risk management strategies. Positions are monitored on a daily basis by management.

Interest rate sensitivity

The table below shows the sensitivity of interest income to reasonably possible parallel changes in interest rates, all other variables held constant.

The impact of interest rate changes on net interest income is due to assumed changes in interest paid and received on floating rate financial assets and liabilities and to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rates. The result includes the effect of hedging instruments and assets and liabilities held at 31 December 2018 and 2017. The change in interest income is calculated over a 1-year period. The impact also incorporates the fact that some monetary items do not immediately respond to changes in interest rates and are not passed through in full, reflecting sticky interest rate behaviour. The pass-through rate and lag in response time are estimated based on historical statistical analysis and are reflected in the outcome.

The sensitivity of equity was calculated for an increase in basis points whereby a similar decrease has an equal and offsetting effect on net interest income.

	2018	
LL Million	Increase in basis points	Sensitivity of net interest income
Currency		
Lebanese Lira	+0.50%	(17,010)
United States Dollar	+0.50%	(22,183)
Euro	+0.25%	(2,558)

	2017	
LL Million	Increase in basis points	Sensitivity of net interest income
Currency		
Lebanese Lira	+0.5%	(13,356)
United States Dollar	+0.5%	(5,332)
Euro	+0.25%	(2,291)

Interest sensitivity gap

The Group's interest sensitivity position based on contractual repricing arrangements is shown in the table below. The expected repricing and maturity dates may differ significantly from the contractual dates, particularly with regard to the maturity of customer demand deposits.

	2018							
LL Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	More than 5 years	Non interest sensitive	Total
Assets								
Cash and balances with central banks	1,985,872	1,940,997	421,242	379,136	1,748,283	23,697,291	2,962,586	33,135,407
Due from banks and financial institutions	1,000,146	98,191	99,442	33,490	-	-	1,135,500	2,366,769
Loans to banks and financial institutions	-	2,800	20,090	-	14,974	-	-	37,864
Derivative financial instruments	-	-	-	-	-	-	18,752	18,752
Financial assets at fair value through profit or loss	-	-	265	3,575	19,879	37,027	300,555	361,301
Net loans and advances to customers at amortized cost	4,511,800	1,982,411	2,498,260	784,194	633,090	153,744	213,321	10,776,820
Net loans and advances to related parties at amortized cost	16,575	3,664	-	63	138	4,003	-	24,443
Debtors by acceptances	-	-	-	-	-	-	191,492	191,492
Financial assets at amortized cost	193,324	142,076	355,156	518,088	3,057,064	3,050,964	93,789	7,410,461
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	14,605	14,605
Total assets	**7,707,717**	**4,170,139**	**3,394,455**	**1,718,546**	**5,473,428**	**26,943,029**	**4,930,600**	**54,337,914**
Liabilities								
Due to central banks	27,319	19,732	37,727	43,594	1,297,060	5,648,613	42,177	7,116,222
Repurchase agreements	-	-	-	-	-	-	25,826	25,826
Due to banks and financial institutions	337,268	124,218	108,344	-	-	-	296,231	866,061
Derivative financial instruments	-	-	-	-	-	-	22,621	22,621
Customers' deposits at amortized cost	26,781,349	3,615,248	4,781,695	140,409	50,057	928	5,043,718	40,413,404
Deposits from related parties at amortized	111,897	6,459	395	-	-	-	45,467	164,218
Debt issued and other borrowed funds	-	-	-	-	450,991	-	5,297	456,288
Engagements by acceptances	-	-	-	-	-	-	192,751	192,751
Total liabilities	**27,257,833**	**3,765,657**	**4,928,161**	**184,003**	**1,798,108**	**5,649,541**	**5,674,088**	**49,257,391**
Total interest rate sensitivity gap	**(19,550,116)**	**404,482**	**(1,533,706)**	**1,534,543**	**3,675,320**	**21,293,488**	**(743,488)**	**5,080,523**

	2017							
LL Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 – 2 years	2 – 5 years	More than 5 years	Non interest sensitive	Total
Assets								
Cash and balances with central banks	1,462,914	1,699,074	324,545	834,746	3,515,356	14,538,693	2,255,163	24,630,491
Due from banks and financial institutions	1,254,191	453,062	207,747	61,911	33,484	-	1,552,858	3,563,253
Loans to banks and financial institutions	10,522	4,600	29,060	-	-	-	331	44,513
Derivative financial instruments	-	-	-	-	-	-	20,401	20,401
Financial assets at fair value through profit or loss	256	-	358	246	11,698	45,242	305,915	363,715
Net loans and advances to customers at amortized cost	4,356,118	2,250,831	2,756,953	877,596	767,030	83,294	244,153	11,335,975
Net loans and advances to related parties at amortized cost	16,756	3,434	55	10	3,863	4,009	18	28,145
Debtors by acceptances	-	-	-	-	-	-	150,791	150,791
Financial assets at amortized cost	331,172	752,606	834,983	333,127	2,723,434	2,772,434	108,619	7,856,375
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	4,224	4,224
Total assets	**7,431,929**	**5,163,607**	**4,153,701**	**2,107,636**	**7,054,865**	**17,443,672**	**4,642,473**	**47,997,883**
Liabilities								
Due to central banks	946	27,349	347,977	40,463	787,880	1,002,525	47,805	2,254,945
Repurchase agreements	-	-	-	-	-	-	7,263	7,263
Due to banks and financial institutions	180,039	64,411	56,179	-	-	-	278,056	578,685
Derivative financial instruments	-	-	-	-	-	-	34,387	34,387
Customers' deposits at amortized cost	25,228,927	4,293,543	4,193,804	48,976	35,258	132	6,176,379	39,977,019
Deposits from related parties at amortized cost	98,752	290	8,227	274	-	-	78,028	185,571
Engagements by acceptances	-	-	-	-	-	-	150,791	150,791
Total liabilities	**25,508,664**	**4,385,593**	**4,606,187**	**89,713**	**823,138**	**1,002,657**	**6,772,709**	**43,188,661**
Total interest rate sensitivity gap	**(18,076,735)**	**778,014**	**(452,486)**	**2,017,923**	**6,231,727**	**16,441,015**	**(2,130,236)**	**4,809,222**

B- CURRENCY RISK

Foreign exchange (or currency) risk is the risk that the value of a portfolio will fall as a result of changes in foreign exchange rates. The major sources of this type of market risk are imperfect correlations in the movements of currency prices and fluctuations in interest rates. Therefore, exchange rates and relevant interest rates are acknowledged as distinct risk factors.

The Central Bank of Lebanon allows the Bank to maintain a net open FX trading position, debit or credit, that does not exceed at any time 1% of net Tier 1 equity on condition that the global open FX position does not exceed 40% of net Tier 1 equity. This is subject to the Bank's commitment to comply in a timely and consistent manner with the required capital adequacy ratio. In addition to regulatory limits, the Board has set limits on positions by currency. These positions are monitored to ensure they are maintained within established limits.

The following tables present the breakdown of assets and liabilities by currency:

The following statement of financial positions as of 31 December are detailed in Lebanese Lira (LL) and foreign currencies, translated into LL.

		2018				
		Foreign currencies in Lebanese Lira				
LL Million	Lebanese Lira	US Dollars	Euro	Other foreign currencies	Total foreign currencies	Total
Assets						
Cash and balances with central banks	13,560,757	14,832,215	2,922,948	1,819,487	19,574,650	33,135,407
Due from banks and financial institutions	80,537	983,492	472,733	830,007	2,286,232	2,366,769
Loans to banks and financial institutions	10,952	26,912	-	-	26,912	37,864
Derivative financial instruments	2,896	264	1,753	13,839	15,856	18,752
Financial assets at fair value through profit or loss	16,603	281,029	316	63,353	344,698	361,301
Net loans and advances to customers at amortized cost	2,427,641	5,530,852	359,292	2,459,035	8,349,179	10,776,820
Net loans and advances to related parties at amortized cost	4,040	11,304	2,585	6,514	20,403	24,443
Debtors by acceptances	-	156,119	23,352	12,021	191,492	191,492
Financial assets at amortized cost	3,242,025	3,093,837	24,694	1,049,905	4,168,436	7,410,461
Financial assets at fair value through other comprehensive income	-	649	26	13,930	14,605	14,605
Property and equipment	558,745	162	36,991	207,927	245,080	803,825
Intangible assets	1,539	19	88	3,345	3,452	4,991
Assets obtained in settlement of debt	(501)	39,918	-	18,859	58,777	58,276
Other assets	49,799	38,643	9,915	81,191	129,749	179,548
Goodwill	(88,655)	88,655	-	1,984	90,639	1,984
Total assets	**19,866,378**	**25,084,070**	**3,854,693**	**6,581,397**	**35,520,160**	**55,386,538**
Liabilities						
Due to central banks	7,047,708	47,066	-	21,448	68,514	7,116,222
Repurchase agreements	-	-	-	25,826	25,826	25,826
Due to banks and financial institutions	148,142	477,243	87,074	153,602	717,919	866,061
Derivative financial instruments	4,973	14,137	629	2,882	17,648	22,621
Customers' deposits at amortized cost	8,728,686	24,315,061	2,594,169	4,775,488	31,684,718	40,413,404
Deposits from related parties at amortized cost	49,121	70,450	16,113	28,534	115,097	164,218
Debt issued and other borrowed funds	-	456,288	-	-	456,288	456,288
Engagements by acceptances	-	157,389	23,344	12,018	192,751	192,751
Other liabilities	407,702	302,245	32,574	107,274	442,093	849,795
Provisions for risks and charges	281,444	47,894	-	22,723	70,617	352,061
Total liabilities	**16,667,776**	**25,887,773**	**2,753,903**	**5,149,795**	**33,791,471**	**50,459,247**
Net exposure	**3,198,602**	**(803,703)**	**1,100,790**	**1,431,602**	**1,728,689**	**4,927,291**

	2017					
		Foreign currencies in Lebanese Lira				
LL Million	Lebanese Lira	US Dollars	Euro	Other foreign currencies	Total foreign currencies	Total
Assets						
Cash and balances with central banks	9,413,645	11,526,799	2,255,940	1,434,107	15,216,846	24,630,491
Due from banks and financial institutions	78,143	1,732,506	856,414	896,190	3,485,110	3,563,253
Loans to banks and financial institutions	18,868	25,645	-	-	25,645	44,513
Derivative financial instruments	9,980	539	3,472	6,410	10,421	20,401
Financial assets at fair value through profit or loss	22,576	285,518	387	55,234	341,139	363,715
Net loans and advances to customers at amortized cost	2,577,655	6,005,138	383,968	2,369,214	8,758,320	11,335,975
Net loans and advances to related parties at amortized cost	4,344	13,246	4,554	6,001	23,801	28,145
Debtors by acceptances	-	125,712	18,604	6,475	150,791	150,791
Financial assets at amortized cost	2,930,930	3,219,174	28,513	1,677,758	4,925,445	7,856,375
Financial assets at fair value through other comprehensive income	-	646	27	3,551	4,224	4,224
Property and equipment	551,285	148	39,766	206,676	246,590	797,875
Intangible assets	619	366	98	1,090	1,554	2,173
Assets obtained in settlement of debt	(501)	39,738	-	21,443	61,181	60,680
Other assets	85,367	40,344	7,850	65,936	114,130	199,497
Goodwill	(88,655)	88,655	-	1,996	90,651	1,996
Total assets	**15,604,256**	**23,104,174**	**3,599,593**	**6,752,081**	**33,455,848**	**49,060,104**
Liabilities						
Due to central banks	2,196,787	35,134	-	23,024	58,158	2,254,945
Repurchase agreements	-	-	-	7,263	7,263	7,263
Due to banks and financial institutions	5,163	379,530	94,981	99,011	573,522	578,685
Derivative financial instruments	19,156	14,564	86	581	15,231	34,387
Customers' deposits at amortized cost	10,094,160	22,621,166	2,650,726	4,610,967	29,882,859	39,977,019
Deposits from related parties at amortized cost	51,151	53,402	33,285	47,733	134,420	185,571
Engagements by acceptances	-	125,712	18,604	6,475	150,791	150,791
Other liabilities	343,121	329,640	19,210	125,427	474,277	817,398
Provisions for risks and charges	458,914	44,068	350	20,092	64,510	523,424
Total liabilities	**13,168,452**	**23,603,216**	**2,817,242**	**4,940,573**	**31,361,031**	**44,529,483**
Net exposure	**2,435,804**	**(499,042)**	**782,351**	**1,811,508**	**2,094,817**	**4,530,621**

The Group's Exposure to Currency Risk
The Group is subject to currency risk on financial assets and liabilities that are denominated in currencies other than the Lebanese Pound. Most of these financial assets and liabilities are in US Dollars and Euros.

The table below shows the currencies to which the Group had significant exposure at 31 December on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Lebanese Lira, with all other variables held constant, on the income statement (due to the potential change in fair value of currency sensitive monetary assets and liabilities). A negative amount reflects a potential net reduction in income while a positive amount reflects a net potential increase.

	2018		2017	
Currency	Change in currency rate %	Effect on profit before tax LL Million	Change in currency rate %	Effect on profit before tax LL Million
USD	**± 1%**	**±4,608**	**± 1%**	**±8,723**
EUR	**± 3%**	**±14,751**	**± 3%**	**±3,255**

C- EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as the result of a change in stock prices. Equity price risk exposure arises from equity securities classified at fair value through profit or loss. A 5 percent increase in the value of the Group's equities at 31 December 2018 would have increased net income by
LL 9,530 million (2017: LL 9,888 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

D- PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier than expected, such as housing loans when interest rates fall.

Market risks that lead to prepayments are not material with respect to the markets where the Group operates. Accordingly, the Group considers prepayment risk on net profits as not material after considering any penalties arising from prepayments.

49.4 OPERATIONAL RISK

Operational risk is defined as the risk of loss or damage resulting from inadequate or failed internal processes, people, systems or external events. The Basel definition of operational risk includes legal risk, and excludes reputational and strategic risks. Still, the failure of operational risk controls may result in reputational damage, business disruptions, business loss, or non-compliance with laws and regulations that can lead to significant financial losses. Therefore, reputational and strategic risks are indirectly mitigated once the operational risks acting as their key drivers are well managed.

The operational risk management framework is implemented by an independent Operational Risk Management department that operates in coordination with other support functions. The Internal Audit provides an independent assurance on the adequacy and effectiveness of this framework through periodic reviews.

Operational risks are managed across the Group based on a set of principles and standards detailed in the Board-approved operational risk management framework. These principles and standards include at a minimum: segregation of duties, four-eye principle, and independency of employees performing controls, reconciliations, and awareness. Controls are also embedded within systems and formalized in policies and procedures.

Incidents are captured and analyzed to identify their root causes. Corrective and preventive measures are recommended to prevent future reoccurrences. Risk and Control Assessments (RCAs) are conducted on an ongoing basis to identify risks and control vulnerabilities associated to existing or new operations, products, processes, activities and systems. Key Risk Indicators are also developed continuously to detect alarming trends. Recommendations to improve the control environment are communicated to concerned parties and escalated to Management as deemed necessary.

Major incidents, RCA findings and operational losses are reported to the Board of Directors and Board Risk Committees periodically as per the governance framework set in the Group Operational Risk policy.

Insurance coverage is used as an additional layer of mitigation and is commensurate with the Group business activities, in terms of volume and nature.

50. CAPITAL MANAGEMENT

The Group maintains an actively managed capital base to cover risks inherent in the business, retain sufficient financial strength and flexibility to support new business growth, and meet national and international regulatory capital requirements at all times. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Lebanon according to the provisions of Basic Circular No 44. These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets and off-balance sheet commitments at a weighted amount to reflect their relative risk. To satisfy Basel III capital requirements, the Central Bank of Lebanon requires maintaining a ratio of total regulatory capital to risk-weighted assets at or above 15% to be achieved in 2018. The limit of the Common Equity tier 1 Ratio is 9%, the Tier 1 ratio to 12% and the Total Capital Ratio to 14.5% by the end of 2017.

LL Million	2018	2017
Risk weighted assets		
Credit risk	19,753,164	19,059,611
Market risk	994,245	1,102,302
Operational risk	2,640,523	2,475,921
Total risk weighted assets	**23,387,932**	**22,637,834**

The capital base as per Basel III requirements as of 31 December is as follows:

	Excluding net income for the year		Including net income for the year less proposed dividends	
LL Million	2018	2017	2018	2017
Tier 1 Capital	4,067,080	3,646,580	4,474,202	4,013,425
Tier 2 Capital	220,549	94,071	220,549	94,071
Total Capital	**4,287,629**	**3,740,651**	**4,694,751**	**4,107,496**

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from previous years, however, they are under constant scrutiny of the Board.

The capital adequacy ratio as of 31 December is as follows:

	Excluding net income for the year		Including net income for the year less proposed dividends	
	2018	2017	2018	2017
Capital adequacy - Tier 1	**17.39%**	**16.11%**	**19.13%**	**17.73%**
Capital adequacy -Total Capital	**18.33%**	**16.52%**	**20.07%**	**18.14%**

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions, its business model and risk profile. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payments to shareholders or issue capital securities.


UK
France
Romania
Switzerland
Iraq
Cyprus
Lebanon
Headquarters (Beirut)
Jordan
Egypt
UAE
Qatar
KSA

BLOM BANK GROUP DIRECTORY

BLOM BANK GROUP
WORLDWIDE CORRESPONDENT BANKS

Country	Correspondent Bank
Australia, Sydney	Westpac Banking Corporation
Bahrain, Manama	National Bank of Bahrain BSC
Canada, Toronto	Bank of Montreal
China, Beijing	Bank of China Limited
Denmark, Copenhagen	Danske Bank A/S
Egypt, Cairo	BLOM BANK EGYPT SAE
France, Paris	BLOM BANK FRANCE SA
Germany, Frankfurt am Main	Commerzbank AG
Germany, Frankfurt am Main	Deutsche Bank AG
Italy, Milan	Intesa Sanpaolo SpA
Italy, Milan	UniCredit SpA
Japan, Tokyo	JPMorgan Chase Bank National Association
Japan, Tokyo	MUFG Bank LTD
Japan, Tokyo	Sumitomo Mitsui Banking Corporation
Jordan, Amman	BLOM BANK SAL
KSA, Jeddah	The National Commercial Bank
KSA, Riyadh	Riyad Bank
Kuwait, Kuwait City	Gulf Bank KSCP
Norway, Oslo	DNB Bank ASA
Qatar, Doha	BLOM BANK QATAR LLC
Qatar, Doha	Commercial Bank PSQC
Romania, Bucharest	BLOM BANK FRANCE SA
Spain, Barcelona	Banco de Sabadell SA
Spain, Madrid	Banco Bilbao Vizcaya Argentaria SA
Sweden, Stockholm	Skandinaviska Enskilda Banken AB
Switzerland, Geneva	BLOM BANK (Switzerland) SA
Switzerland, Zurich	Credit Suisse AG
Switzerland, Zurich	UBS Switzerland AG
Turkey, Istanbul	Yapi ve Kredi Bankasi AS
U.A.E, Abu Dhabi	First Abu Dhabi Bank PJSC
U.A.E, Dubai	BLOM BANK FRANCE SA
U.K, London	Barclays Bank Plc
U.K, London	BLOM BANK FRANCE SA
U.K, London	JPMorgan Chase Bank National Association
U.K, London	Standard Chartered Bank
U.S.A, New York	Citibank NA
U.S.A, New York	Deutsche Bank Trust Company Americas
U.S.A, New York	JPMorgan Chase Bank National Association
U.S.A, New York	Standard Chartered Bank
U.S.A, New York	The Bank of New York Mellon

BANKS & FINANCIAL SUBSIDIARIES

BLOM BANK SAL

BLOM BANK EGYPT

BLOMINVEST BANK SAL

BLOM EGYPT INVESTMENTS

BLOM DEVELOPMENT BANK SAL

BLOM EGYPT SECURITIES

BLOM BANK FRANCE

BLOMINVEST SAUDI ARABIA

BLOM BANK (SWITZERLAND) SA

BLOM SECURITIES

BLOM ASSET MANAGEMENT Co. SAL

BLOM BANK QATAR LLC

INSURANCE SUBSIDIARIES

AROPE INSURANCE

AROPE INSURANCE EGYPT

BANKS & FINANCIAL SUBSIDIARIES

BLOM BANK S.A.L | LEBANON

MANAGEMENT

Refer to page 17 to 31 of this report for management.

BRANCH NETWORK

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Branch Manager: Mr. Haitham AL LABBAN

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Branch Manager: Mrs. Randa Kantari ABDEL FATTAH

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Branch Manager: Mr. Khaled OMAR

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Principal Branch Manager: Mr. Abbas KALOT

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Fax: (961-1) 818009
Branch Manager: Mr. Mazen ALIEH

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MOUNT LEBANON BRANCHES

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BLOM BANK S.A.L

Jordan

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Mr. Moder KURDI	Deputy Regional Manager
Mr. Muhannad AL BALBISSI	Assistant Regional Manager/ Finance
Mr. Omar ABDULLAH	Assistant Regional Manager / Retail
Mr. Ashraf Al QUDAH	Treasury & Investments Manager
Mr. Hani DIRANI	Legal & Collection Manager
Mr. Said OBEIDALLAH	Internal Audit Manager
Mr. Muhannad ABYAD	IT Operations Manager
Mr. Nabil OBALI	Risk Manager
Mr. Maan ZOABI	Compliance Unit Manager
Mr. Nart LAMBAZ	Central Operations Manager

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BLOMINVEST BANK SAL

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Messrs. BLOM BANK S.A.L.	Member
Mr. Marwan JAROUDI	Member
Mr. Karim BAALBAKI	Member
Mr. Saeb EL ZEIN	Member
Mr. Nicolas SAADE	Member
Mr. Amr AZHARI	Member
Me. Antoine MERHEB	Member
Mr. Elias ARACTINGI	Member
General Management	
Mr. Saad AZHARI	Chairman & General Manager
Dr. Fadi OSSEIRAN	General Manager
Mrs. Maya Abou Alwan EL KADI	Deputy General Manager, Head of Investment Banking
Mr. Marwan ABOU KHALIL	Head of Financial Markets
Me. Sandra BOUSTANY	Legal Counsel
Mr. Elie CHALHOUB	Head of Corporate Credit and Relationship
Mr. Marc HAJJ	Head of Business Development
Mr. Joseph MATTA	Head of Internal Audit
Mr. Marwan MIKHAEL	Head of Research
Mr. Alexandre MOURADIAN	Head of Investor Relations
Mr. Rami SAYEGH	Head of Private Banking
Mrs. Mirna Toutayo HAJJ	Head of Strategic Planning & Organization
Ms. Rima YASSINE	Head of Operations

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BLOM DEVELOPMENT BANK SAL

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Mr. Marwan JAROUDI	Member
Mr. Karim BAALBAKI	Member
Mr. Nicolas SAADE	Member
Mr. Mohamad Yassine RABAH	Member
Messrs. BLOM BANK S.A.L.	Member
Messrs. BLOMINVEST BANK S.A.L.	Member
General Management	
Mr. Amr AZHARI	Chairman & General Manager
Mr. Moataz NATAFJI	General Manager
Mrs. Rania DERIAN	Sharia Internal Audit Manager
Mr. Habib EL HAJJAR	Credit & Retail Manager
Mr. Ibrahim EL KHALIL	Organizational Management Manager
Mr. Mazen EL KOUCH	Central Operations Manager
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Mrs. Rawan ORAYMET	Internal Audit Manager
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BLOM BANK FRANCE

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Dr. Naaman AZHARI	Honorary Chairman
Mr. Amr AZHARI	Permanent Representative of BLOM BANK S.A.L.
Mr. Christian DE LONGEVIALLE	Director
Mr. Jean-Paul DESSERTINE	Director
Mr. Marwan JAROUDI	Director
General Management	
Mr. Samer AZHARI	Chairman & General Manager
Mr. Michel ADWAN	Deputy Chief Executive Officer
Mr. Jean-Pierre BAAKLINI	Country Manager – Paris
Mr. Amr EL TURK	Country Manager – London
Mr. Dani SAWAYA	Acting Manager – UAE
Mrs. Veronica PETRESCU	Country Manager – Romania
Mr. Xavier ELLUIN	Risk Manager
Mr. Marc ABOU-KHALIL	Audit Manager
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Email: info.shj@blomfrance.ae
Branch Manager: Mr. Fouad ATTAR

UNITED KINGDOM

London
193-195 Brompton Road, London SW3 1LZ, England
Phone: (44-20) 75907777
Fax: (44-20) 78237356
Email: blom@blombanklondon.co.uk
Country Manager: Mr. Amr TURK

ROMANIA

HEADQUARTERS (BUCHAREST)
66 Unirii Blvd., Bloc K3, S+P+M, Sector 3
P.O.Box: 1-850, Bucharest - Romania
Phone: (40-21) 3027201
Fax: (40-21) 3185214
Email: office@blomfrance.ro
Country Manager: Mrs. Veronica PETRESCU

Branches in Romania

Unirii-Customer Desk
66 Unirii Blvd., Bloc K3, Mezzanin, Sector 3
P.O.Box: 1-850, Bucharest 030835 - Romania
Phone: (40-21) 3027201
Fax: (40-21) 3185214
Email: unirii@blomfrance.ro
Head of Operations: Mrs. Florentina DELA

Victoria
72 Buzesti St., Sector 1, Bucharest - Romania
Phone: (40-21) 3154205/6
Fax: (40-21) 3154208/9
Email: victoria@blomfrance.ro
Branch Manager: Mr. Marius VOICULET

Constanta
25 Bis Mamaia Blvd., CP 2-89, Constanta - Romania
Phone: (40-241) 510950
Fax: (40-241) 510951
Email: constanta@blomfrance.ro
Branch Manager: Mr. Mihai BUTCARU

BLOM BANK (SWITZERLAND) SA

MANAGEMENT

Board of Directors	
Dr. Naaman AZHARI	Honorary Chairman
Mr. Saad AZHARI	Chairman
Mr. André CATTIN	Vice Chairman
Mr. Jean Paul DESSERTINE	Member
Dr. Werner FREY	Member
Me Peter de la GANDARA	Member
Mr. Ahmad SHAKER	Member
General Management	
Mr. Antoine MAZLOUM	General Manager
Mr. Salim DIAB	Manager
Mr. Jean-Marc REBOH	Manager

NETWORK

HEADQUARTERS (GENEVA)

1, Rue Rodolphe-Toepffer
P.O.Box: 3040 -1211 Geneva 3 - Switzerland
Phone: (41-22) 8177100
Fax: (41-22) 8177190
Email: dir.administr@blombank.ch
Website: www.blombank.ch

BLOM ASSET MANAGEMENT Co. SAL

MANAGEMENT

Board of Directors	
Dr. Fadi OSSEIRAN	Chairman & General Manager
Mr. Saad AZHARI	Member
Mr. Michel CHIKHANI	Member
General Management	
Dr. Fadi OSSEIRAN	Chairman & General Manager
Mr. Michel CHIKHANI	General Manager
Mr. Bechara BARDAWIL	Head of Portfolio Management
Mr. Marc EL-HAGE	Head of Business Development & Institutional Sales

NETWORK

HEADQUARTERS (BEIRUT)

Mina El Hosn, Facing Saint Georges Hotel, BLOM BANK Bldg.
P.O.Box: 11-1912 Riad El-Solh, Beirut - Lebanon
Phone: (961-1) 760033
Fax: (961-1) 760039
Email: info@blom-am.com
Website: www.blomassetmanagement.com

BLOM BANK EGYPT

MANAGEMENT

Board of Directors	
Mr. Saad AZHARI	Chairman of the Board
Mr. Mohamed OZALP	Managing Director & Chief Executive Officer
Mr. Rabih EL HALABI	Deputy Managing Director & Executive Board Member
Mr. Mohamed KAFAFI	Member
Dr. Jassim AL MANNAI *	Member
Mr. Mounir TOUKAN	Member
Ms. Yassmine MOUAFI	Member
Dr. Khaled Ezz ELdin ISMAIL	Member
General Management	
Mr. Mohamed OZALP	Managing Director & Chief Executive Officer
Mr. Rabih EL HALABI	Deputy Managing Director & Executive Board Member
Mr. Hazem MOKBEL	Assistant Managing Director - Risk Management Division
Mr. Mostafa EZZAT	Assistant Managing Director - Chief Financial Officer
Mr. Ahmed KHATTAB	Assistant Managing Director - Corporate Banking Division
Mr. Ihab KHALIL	Assistant Managing Director - Retail Banking Division
Mr. Emad ELGUINDY	Assistant Managing Director - Central Operations Division
Mr. Mohamed RASHWAN	Assistant Managing Director - Internal Audit Division
Mr. Belal FAROUK	Assistant Managing Director - Board Affairs Division
Mr. Sameh MOUSTAFA	Head of Compliance Division & AML Division
Ms. Rasha ABDEL RASOUL	Head of Financial Institution & Correspondent Banking Division
Mr. Mohamed SHAWKY	Head of Information Technology Division
Mr. Mohamed ABD EL MOHSEN	Head of Legal Affairs Division
Mr. Mansour MANSOUR	Head of Human Resources Division
Mr. Ali ASHRAF	Head of General Administration Division
Mr. Mohamed HABIB	Head of Security & Public Institutional Relations Division

(*) Resigned with effect from 4 April 2019

NETWORK

HEADQUARTERS (CAIRO)
Ninety St. Fifth Settlement, New Cairo,
First Sector - Lot No. 61 BLOM BANK Bldg.
P.O.Box: 410, New Cairo -
El Tagamoaa El Khames
Phone: (202) 33322770/1/9
Fax: (202) 37494508 – 37494168
Website: www.blombankegypt.com

GREATER CAIRO

Abbasia
Abbasia St., Bldg. #109
Phone: (202) 24864180/4/5
Chief Branch Manager: Mr. Hussein EL SWEIFY

Dokki
Mohie Eldin Aboul Ezz St., Bldg. #64
Phone: (202) 37494643
Fax: (202) 37494652/79
Acting Zone Head: Mrs. Wafaa EZZAT

El Obour
Lot 1 to 12 Avenue Mall Obour City after El Tawheed & Noor and Star House
Phone: (202) 44890020/33
Fax: (202) 44890050
Branch Manager: Mr. Ayman HUSSAIN

EL Shams Club
Abdul Hameed Badawy St., Nadi El Shams, Bldg. #139
Phone: (202) 26229871/2/3/5
Branch Manager: Mrs. Rehab REFAAT

El Sherouq
New City Plaza Mall next to BUE
Phone: (202) 01028577886/2/4
Acting Branch Manager: Mr. Yasser FEKRY

Haram
Haram St., Nasr El Din, Bldg. #410
Phone: (202) 35681223
Acting Branch Manager: Mr. Ahmed MARDISHI

Heliopolis
El Hegaz St., Bldg. #31
Phone: (202) 22583120
Senior Branch Manager: Mrs. Naja EL SENOUSI

Khalifa El Maamoun
Heliopolis, El Khalifa El Maamoun, Manshiet El Bakry St., Bldg. #20
Phone: (202) 22575625/47
Fax: (202) 22575651
Senior Branch Manager: Mrs. Nayera LABIB

Maadi
New Maadi, El Nasr Road, 4th St., Bldg. #269
Phone: (202) 25198244
Senior Branch Manager: Mr. Amr HASSAN

Manial
Manial St., El Rodah, Bldg. #13
Phone: (202) 23640604/44
Fax: (202) 23640611
Branch Manager: Mrs. Ghada SHAHIN

Masaken Sheraton
Abdel Hamid Badawy St., area 7, Masaken Sheraton, 17 Misr Lel Taameer Bldg.
Acting Branch Manager: Mrs. Enjy Edwar ATTALLAH

Mesadek
30 Mesadek St., Dokki, Gizza
Phone: (202) 33375214 - 33375269
Senior Branch Manager: Mr. Ehab FARAHAT

Mohandessen
Lebanon St., Bldg. #54
Phone: (202) 33006514/42/29
Senior Branch Manager: Mr. Mohamed MAHER

Moustafa El Nahas
49 Moustafa ElNahas St., Nasr City – Cairo
Acting Branch Manager: Mr. Ahmed HAKIM

Nasr City
El Nasr Road, El Akkad Mall
Phone: (202) 26906807/9
Fax: (202) 26906805
Acting Zone Head: Mrs. Heba SAAD

New Cairo
61, 90 St., Tagamoa El Khames
Phone: (202) 29281200
Senior Branch Manager: Mr. Tarek TALAAT

New Maadi
El Nasr Road, El Laselky St., Bldg. #17/5
Phone: (202) 25175546/7/8
Fax: (202) 25173014 - 25173024
Chief Branch Manager: Mr. Sameh EL GHARIB

Opera
Gomhoreya St., Bldg. #17
Phone: (202) 23923197 – 23927885
Fax: (202) 22392265
Senior Branch Manager: Mrs. Hanaa FOUAD

Orouba
Heliopolis, Cleopatra St., Bldg. #1
Phone: (202) 24144769/59
Fax: (202) 24144793
Acting Branch Manager: Mr. Mahmoud ALI

October Branch- Glory Mall
Glory Mall, Commercial Center, Area 45/B, Central Axis, 6th October City, Cairo
Phone: (202) 38330678/683/685
Branch Manager: Yousry TAWFIK

6th October
Area No.4, Central Axis, 1st District, Al Madiena Commercial Center
Phone: (202) 38321024 - 38320537
Fax: (202) 38339279
Branch Manager: Mr. Yousry TAWFIK

Sheikh Zayed
Hayat Mall, 2 El Mahwer El Merkazi El Ganouni - El Sheikh Zayed, 6 October
Phone: (202) 38513893
Fax: (202) 38513892
Chief Branch Manager: Mrs. Amany NAFEA

Shoubra
El Khalafawy Square, Shoubra St., Bldg. #232
Phone: (202) 24311409 - 24311732
Fax: (202) 24311364
Chief Branch Manager: Mr. Moustafa SABRY

Zamalek
Abu El Feda St., Bldg. #15
Phone: (202) 27355246 - 27353292
Fax: (202) 27358613
Senior Branch Manager: Mr. Hany SELIM

ALEXANDRIA

El Shatby
El Shatby, Port Said St., Bldg. #17
Phone: (203) 5934057/9
Senior Branch Manager: Mr. Ayman TALAAT

Manshia
Orabi Square, Bldg. #9
Phone: (203) 4856088/52
Fax: (203) 4856120
Chief Branch Manager: Mr. Mohamed ABOU SHOUSHA

Montaza
414 Gamal Abd El Naser, Mecca Tower
Phone: (203) 5488550/98
Branch Manager: Mrs. Radwa EL FIKY

Semouha
56 Fawzy Moaaz St., Semouha Heights Bldg., Semouha - Alexandria
Branch Manager: Mr. Emad BADAWY

Sporting
El Horia St., Bldg. #273
Phone: (203) 4258900 - 4282050
Fax: (203) 4271702
Branch Manager: Mrs. Rasha MOSTAFA

Stadium
Seliman Yosry St., Bldg. #1
Phone: (203) 4951641/2/5
Fax: (203) 4951639
Zone Head: Mr. Ashraf TAHIO

GOVERNATES

Damietta
Borg El Shark Insurance, Corniche El Nile St., Bldg. #1
Phone: (2057) 2363470/13
Fax: (2057) 2363453
Zone Head: Mr. Mohamed ELBERGISY

El Minya
225-226 B-Sultan Land-Taha Hussein St., El Minya
Phone: (2086) 2318098/84
Fax: (2086) 2317171
Deputy Branch Manager: Mr. Sameh HAMADA

El Suez
354 El Geish St. (Khoderi Tower), El Suez
Phone: (2062) 3348053/4
Fax: (2062) 3348055
Chief Branch Manager: Mr. Ahmed ASHRAF

Ismailia
El Ismalia Canal, in front of El Rai Bridge, 144 St., Bldg. #15
Phone: (2064) 3921758/9/79/61
Fax: (2064) 3921767
Chief Branch Manager: Mr. Mohamed ABD ELKADER

Mansoura
Torail, Saad Zaghloul St., Bldg. #35
Phone: (2050) 2309120/3/6/8
Fax: (2050) 2309122/5
Branch Manager: Mrs. Ghada HASSAN

Mit Ghamr
Gawharet El Nil Tower, El Horreya St., in front of the sport club, Mit Ghamr,
Senior Branch Manager: Mr. Mohamed Ismail EISSA

Port Said
Al Gomhoureya St., Bldg. #37
Phone: (2066) 3201057 - 3201062/4
Fax: (2066) 3201063
Branch Manager: Mr. Mohamed ELNAGGAR

Tanta
El Guiesh St., Bldg. #44
Phone: (2040) 3356231 - 3356397
Fax: (2040) 3356449
Acting Branch Manager: Mr. Ashraf EL GUINDY

RED SEA

Al Hurghada
Sakallah Square, Elmina St., Bldg. #7
Phone: (2065) 3447835
Fax: (2065) 3447834
Chief Branch Manager: Mr. Alaa METWALLY

Sharm El Sheikh
Salam St., Viva Mall
Phone: (2069) 3664326/7
Fax: (2069) 3664325
Chief Branch Manager: Mr. Alaa METWALLY

BLOM EGYPT INVESTMENTS

MANAGEMENT

Board of Directors	
Dr. Fadi OSSEIRAN	Chairman
Mr. Michel CHIKHANI	Vice Chairman
Mr. Nadim KABBARA	Executive Member
Mr. Mohamed OZALP	Member
Mr. Omar EL DERINI	Independent Member
Mr. Ehab Nabil SALEH	Independent Member
Mr. Ali Ezzat KHAFAGY	Independent Member
General Management	
Mr. Nadim KABBARA *	Managing Director
Ms. Shatha MAHMOUD	Head of Compliance
Mr. Muhammed SALAH	Investment Manager
Mr. Amr NASSAR	Operations Manager
Mr. Sherif RADWAN	Information Technology Manager

(*) Appointed in March 2019

NETWORK

Giza, Dokki, Mossadek St., Bldg. #30
Phone: (202) 33360948
Fax: (202) 33360949

BLOM EGYPT SECURITIES

MANAGEMENT

Board of Directors	
Mr. Rabih HALABI	Chairman
Mrs. Maya Abou Alwan EL KADI	Vice Chairman
Dr. Fadi OSSEIRAN	Member
Mr. Mohamed RACHWAN	Member
Mr. Karim BAALBAKI	Independent Member
Mr Hamdy RASHAD	Independent Member
Mr. Khaled HAMAD	Independent Member
Mr. Mohamed Fathallah EL SAYED	Executive Member
General Management	
Mr. Mohamed Fathallah EL SAYED	Managing Director
Mr. Ziad FARAH	Managing Director of Business Development
Mr. Ahmed TAHA	Head of Finance
Mr. Mohamed MAHMOUD	Head of Operations
Mr. Mohamed ABDEL DAYEM	Head of Compliance
Mr. Nashaat GAD	Head of Internal Audit
Mr. Shereif ASHOUR	Head of Trading
Mr. Mohamed TAHA	Head of Information Technology

NETWORK

HEADQUARTERS (CAIRO)

Giza, Mohandessin, Gezerat El Arab St., Bldg. #8
Phone: (202) 37617682/3/7
Fax: (202) 37617680
Email: info@blomsecurities.com
Website: www.blomegyptsecurities.com

Heliopolis Branch

Al Orouba, Cleopatra St., Bldg. #1
Phone: (202) 24144801/47
Fax: (202) 24144829

Online Trading

Giza, Mohandessin, Gezerat El Arab St., Bldg. #8
Phone: (202) 37621712/29
Fax: (202) 37617680
Email: etrade@blomsecurities.com

BLOMINVEST SAUDI ARABIA

MANAGEMENT

Board of Directors	
Mr. Abdullah Abdullatif AL-FOZAN	Chairman
Mr. Saad AZHARI	Member
Dr. Fadi OSSEIRAN	Member
Mr. Marwan JAROUDI	Member
Mr. Essam AL-MUHAIDIB	Member
Mr. Walid Abdul Aziz AL SAGHYIR	Member
Mr. Ali GHANDOUR	Independent Member
Mr. Fahd AL-MOJEL	Independent Member
Mr. Hazem AL-SHAIK MUBARAK	Independent Member
General Management	
Mr. Abdullah Saud AL-RASHOUD	Chief Executive Officer
Mr. George HANNA	Head of Asset Management
Mr. Wael EL-TURK	Chief Financial Officer
Mr. Tony BOU FAYSSAL	Head of Risk Management
Mr. Fady AL KHALAF	Head of Real Estate Funds

NETWORK

HEADQUARTERS (RIYADH)

Riyadh, King Fahd Road, Al Oula Bldg., 3rd Flr.
P.O.Box: 8151 Riyadh - 11482
Phone: (966-11) 4949555
Fax: (966-11) 4949551
Email: info@blom.sa
Website: www.blom.sa

BLOM SECURITIES | Jordan

MANAGEMENT

Board of Directors	
Dr. Adnan AL ARAJ	Chief of Directors Committee
Mr. Modar KURDI	Deputy Chief of Directors Committee
Mr. Ashraf ALQUDAH	Director
General Management	
Mr. Anwar AL SAQQA	General Manager
Mr. Khalid ZURUB	Deputy General Manager

NETWORK

HEADQUARTERS (AMMAN)

Shmeisani, Abdul Hamid Sharaf St., BLOM BANK Bldg.
P.O.Box: 942341 Shmeisani, 11194, Amman - Jordan
Phone: (962-6) 5661608/5
Fax: (962-6) 5663905
Email: info@efs.jo

BLOM BANK QATAR LLC

MANAGEMENT

Board of Directors	
Mr. Saad AZHARI	Chairman & Executive Director
Mr. Izzat NUSEIBEH	Executive Director
Mr. Marwan JAROUDI	Vice Chairman
Mr. Fahim MO'DAD	Member
Mr. Nicolas SAADE	Member
General Management	
Mr. Saad AZHARI	Chairman
Mr. Izzat NUSEIBEH	Chief Executive Officer
Mr. Abbas BOU DIAB	Head of Compliance & Anti-Money Laundering
Mr. Dany ABOU JAOUDE	Head of Corporate Banking
Mr. Roger ABOU ZEID	Head of Operations & Treasury
Mr. Mazen AL DANAF	Head of International Banking Services
Mrs. Rima EL ETER	Risk Manager
Mr. Mohamad MASSALKHY	Finance Manager
Mr. Zaher GHOUSSAINI	Human Resources Manager

NETWORK

HEADQUARTERS (DOHA)
West Bay Area, Al Qassar Region 61, Al Wahda St., NBK (Amwal) Tower, 11th Flr., Suite 1110
P.O.Box: 27700, Doha - Qatar
Phone: (974) 44992999
Fax: (974) 44992990
Email: blommail@blombankqatar.com

INSURANCE SUBSIDIARIES

AROPE INSURANCE

MANAGEMENT (As at 31 December 2018)

Board of Directors	
Mr. Habib RAHAL	Chairman & General Manager
Mr. Fateh BEKDACHE	Vice Chairman & General Manager
Mr. Samer AZHARI	Member
SCOR SE represented by Mr. Victor PEIGNET	Member
Mr. Serge OSOUF	Member
Mr. Patrick LOISY	Member
Mr. Rami HOURIEH	Member
Mr. Marwan JAROUDI	Member
General Management	
Mr. Habib RAHAL	Chairman & General Manager
Mr. Fateh BEKDACHE	Vice Chairman & General Manager
Ms. Faten DOUGLAS	Deputy General Manager
Mr. Ghassan LABBAN	Assistant General Manager - Finance & Accounting
Mr. Patrick GERGES	Assistant General Manager - Planning & Investment

MANAGEMENT (Effective 3 April 2019)

Board of Directors	
Mr. Fateh BEKDACHE	Chairman & General Manager
Mr. Samer AZHARI	Member
SCOR SE	Member
Mr. Serge OSOUF	Member
Mr. Patrick LOISY	Member
Mr. Rami HOURIEH	Member
Mr. Marwan JAROUDI	Member
Mr. Talal BABA	Member
Mrs. Jocelyne CHAHWANE	Member
Ms. Faten DOUGLAS	Member
General Management	
Mr. Fateh BEKDACHE	Chairman & General Manager
Ms. Faten DOUGLAS	Deputy General Manager
Mr. Ghassan LABBAN	Assistant General Manager - Finance & Accounting
Mr. Patrick GERGES	Assistant General Manager - Planning & Investment

NETWORK

HEADQUARTERS (ZALKA)
Zalka, Michel Murr St., AROPE Bldg.
P.O.Box: 113-5686 Beirut - Lebanon
Phone: (961-1) 905777
e-Fax: (961-1) 886786
Hotline (24/7): 1219
Email: arope@arope.com
Website: www.arope.com

BRANCHES

Verdun
Rachid Karami St., AROPE Plaza, BLOM BANK Bldg.
Phone:(961-1) 759999
e-Fax: (961-1) 886786
Email: verdun@arope.com

Jounieh
Jounieh Highway, Damaa Bldg., 1st Flr.
Phone: (961-9) 643222
e-Fax: (961-1) 886786
Email: jounieh@arope.com

Tripoli
Boulevard St., BLOM BANK Bldg., 1st Flr.
Phone: (961-6) 413333
e-Fax: (961-1) 886786
Email: tripoli@arope.com

Saida
Boulevard St., Elia Roundabout, Zaatari Center, 2nd Flr.
Phone: (961-7) 737137
e-Fax: (961-1) 886786
Email: saida@arope.com

Tyr – Abbassieh
Jal El Baher Main St., BLOM BANK Bldg., 2nd Flr.
Phone: (961-7) 348203
e-Fax: (961-1) 886786
Email: tyr@arope.com

Zahle
Zahle Entrance, Manara Center, GF
Phone: (961-8) 818640 - 806370
e-Fax: (961-1) 886786
Email: zahle@arope.com

Dora
Dora Highway, CEBACO Center, Bloc B, 3rd Flr.
Phone: (961-1) 262222
e-Fax: (961-1) 886786
Email: dora@arope.com

Zalka
Zalka, Michel Murr St., AROPE Bldg.
Phone: (961-1) 905777
e-Fax: (961-1) 886786
Email: zalka@arope.com

Chiyah
Chiyah, Youssef Malkoun St., facing Beirut Mall, 924 Dana Residence Bldg., 1st Flr.
Phone: (961-1) 392888
e-Fax: (961-1) 886786
Email: chiyah@arope.com

Nabatieh
Al Sabbah St., Majed Rihan Center, 3rd Flr.
Phone: (961-1) 761551
e-Fax: (961-1) 886786
Email: nabatieh@arope.com

AROPE INSURANCE EGYPT

AROPE INSURANCE FOR PROPERTIES AND LIABILITIES S.A.E.

MANAGEMENT

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Habib RAHAL	Member
Mr. Talal BABA	Member
Mr. Rabih EL HALABI	Member
Mrs. Maya Abou Alwan EL KADI	Member
Mr. Ahmad KHATTAB	Member
Mr. Ihab KHALIL	Member
Ms. Faten DOUGLAS	Member
Mr. Bashar EL HALABI	Member
General Management	
Mr. Medhat SABER *	Managing Director
Mr. Ramez HAYEK	Assistant General Manager

(*) Effective 1 April 2019

AROPE LIFE INSURANCE S.A.E.

MANAGEMENT

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Habib RAHAL	Member
Mr. Talal BABA	Member
Mr. Rabih EL HALABI	Member
Mrs. Maya Abou Alwan EL KADI	Member
Mr. Ahmad KHATTAB	Member
Mr. Ihab KHALIL	Member
Mr. Bashar EL HALABI	Member
Mr. Ali EL SISI	Member
General Management	
Mr. Ali EL SISI	Managing Director
Mr. Wael CHUCRI	Assistant General Manager

NETWORK

HEADQUARTERS (CAIRO)
AROPE Plaza, 30, Mesadak St., Dokki - Giza
Phone: (202) 33323299
Fax: (202) 33361482/3
Hotline: (202) 19243
Email: arope@arope.com.eg
Website: www.aropeegypt.com

Property Insurance Agencies

Alexandria
11, Hussein Hassab St., 4 Bldg., 2nd Flr., Azzaritta - Alexandria
Phone: (203) 4853567 – (203) 4845127

Hurghada
7, Takseem El Matar, Flat 1, 2nd Flr.,
behind National Bank Of Greece - Hurghada
Phone: (2065) 3483658

Life Insurance Agencies

Maadi
4, 151 St., Maadi, Cairo - Egypt
Phone: (202) 23802622
Fax: (202) 23802631
Hotline: (202) 19243
Email: arope@arope.com.eg

Nasr City
68, Makram Ebeid St., Nasr City, Cairo - Egypt
Phone: (202) 26706642
Fax: (202) 26706643
Hotline: (202) 19243
Email: arope@arope.com.eg

Alexandria 1
75, Fawzi Maaz St., Samouha - Alexandria
Phone: (202) 33323299
Fax: (202) 33361482/3
Hotline: (202) 19243
E-mail: arope@arope.com.eg

Alexandria 2
201, May St., Panorama Samouha B, 2nd Flr., Alexandria
Hotline: (202)19243

Asyut
106, Gomhoriyah St., Bandar 2, 1st Flr., Asyut
Hotline: (202)19243

Network
AROPE INSURANCE EGYPT is present in 28 of BLOM BANK EGYPT branches all over Egypt.
For the list of branches and contact details, please refer to BLOM BANK EGYPT section from this report.

www.blombank.com