BLOM BANK SAL

Annual Report 2017

BLOM BANK SAL

DR. NAAMAN AZHARI
Chairman of BLOM BANK Group

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

Ready to take control of the future, and of the present!

We aim to provide our customers with the needed and relevant tools to secure their financing needs, and fortify their future financial stability.

BLOM BANK brings innovation to the forefront of each and every product or service offered and, through eBLOM and Smart ATMs, we aim to get our customers ready for convenience.

Treading with careful steps, and minimizing risks, begins by providing our customers with cutting edge solutions such as BRITE and the BLOM Index; the tools needed to make them ready for financial security.

Because we value customer loyalty, we work tirelessly to visualize and create state-of-the-art loyalty programs that ensure our customers are ready with added value.

To make our customers ready for a progressive community, we advance social change by endorsing nationwide causes such as the BLOM BANK Beirut Marathon, and the De-mining Program. To help our youth move forward, and enhance their education, we introduced BLOM Shabeb's The A List Competition, and Protect Ed.

We are strongly committed to providing our customers with full control of their financial needs in order to get them ready to experience true Peace of Mind.

As is well known, 2017 was a tough year for Lebanon, especially towards its end, as political uncertainty was heightened and as the economy and the banking sector were subjected to more and higher taxes. But BLOM BANK, thanks to its conservative yet flexible business model, was able to surpass these difficulties and record some impressive accomplishments, in terms of performance, innovation, and service.

In terms of performance, BLOM BANK managed to attain the highest level of operational net profit in the Lebanese banking sector at USD 485.3 million, driven by its managerial efficiency and the notable performance of its domestic and foreign operations. The same was true of profitability ratios as the Bank scored an ROAA of 1.56% and ROACE of 17.20%, the highest among listed banks. Balance sheet aggregates faired very well too: assets stood at USD 32.54 billion, up by 10.3% from 2016; deposits at USD 26.64 billion, up by 7.4%; loans at USD 7.54 billion, up by 5.2%; and shareholders' equity at USD 3.01 billion, up by 2.5% and mildly affected by the retrieval of the Bank's 2011 preferred shares. This performance has additionally benefited from the Bank's excellent acquisition and merger of HSBC Lebanon's 3 branches in June 2017, which contributed USD 592 million in deposits and USD 464 million in loans to the Bank's consolidated balance sheet and enriched its corporate and trade finance activities.

Good performance was also reflected in the Bank's financial position and stock market returns. The Bank's capital adequacy ratio reached 18.14%, its net NPL 0.5%, its primary liquidity 81%, its coverage for non-performing loans (from specific and collective provisions and real guarantees) 156%, and its cost-to-income ratio 34.36% which is the lowest among listed banks. In addition, BLOM BANK's GDR stock was a shareholders' favorite, rising highest at 12.4% over the year and registering the highest market capitalization among listed banks at USD 2.73 billion. And with a dividend of USD 1.13 per share before tax, it generated a dividend yield of 10.21%, again the highest among listed banks, and implied a payout ratio of 50.14%. What was also noteworthy was the Bank's lending portfolio as it split into 42.5% in retail, 27.0% in corporate, 20.0% in SMEs, 6.6% in project finance, and 3.9% in real estate, thus indicating a healthy coverage of financial inclusion. As important, it implied strong market leadership in retail in Lebanon, with the Bank grabbing the highest market shares in car loans at 26.6% and in housing loans at 14.7%.

In terms of innovation, what stand out are the Bank's digitalization drive and the widening scope of its activities. The Bank's digital agenda has become an important part of the Bank's strategy to ease and reduce the cost of interacting and delivering services to its clients, as it slows down its reliance on the "bricks and mortar" format of new branches. The latest of these innovations is BLOMPAY, the new service that enables customers to make purchases using their Android smartphones. It was also a "market first" in that it was the first in Lebanon to be integrated to the Bank's mobile banking app and to apply to credit and debit cards and multiple cards.

The Bank also engaged in a wider menu of activities. Of these is the pioneering association with the Lebanese General Security so as to enable citizens to pay for transactions using their Visa and Mastercard by installing POS machines in 50 general security locations. Another is the trade finance guarantee agreement with the

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Looking forward, BLOM BANK will continue to strengthen its status as a leading bank in the region; and will continue with its successful strategy of gradual digital transformation and the development of its foreign footprints, especially in Egypt which is the second largest market of the BLOM BANK Group.

IFC that provides financing to our clients in their trade activities at reduced and very reasonable rates. Also, there was BLOMINVEST Bank's advisory role for Kingdom Holding Investments in the sale of its 58% stake in Beirut's Four Seasons Hotel, which was the largest transaction completed in 2017 in the hotel landscape in Lebanon. Last but not least, late 2017 saw the Bank's preparation to issue USD 300 million in CDs (with a maturity of 5 years and an interest rate of 7.5%) to lengthen the duration of its liabilities, and which was launched to the market in April 2018.

In terms of service, the Bank maintained in 2017 its consistent selection as the "Best Bank in Lebanon" by the major international and regional institutions for the Peace of Mind that it delivers to its customers. BLOM is the Bank with the most horizontal and vertical spread in the region and Europe, offering its clients a rainbow of cross services and locations. It is also the Bank that offers its services from 8am to 5pm in its branches and has a world-class system of internet banking that provides the best convenience and security.

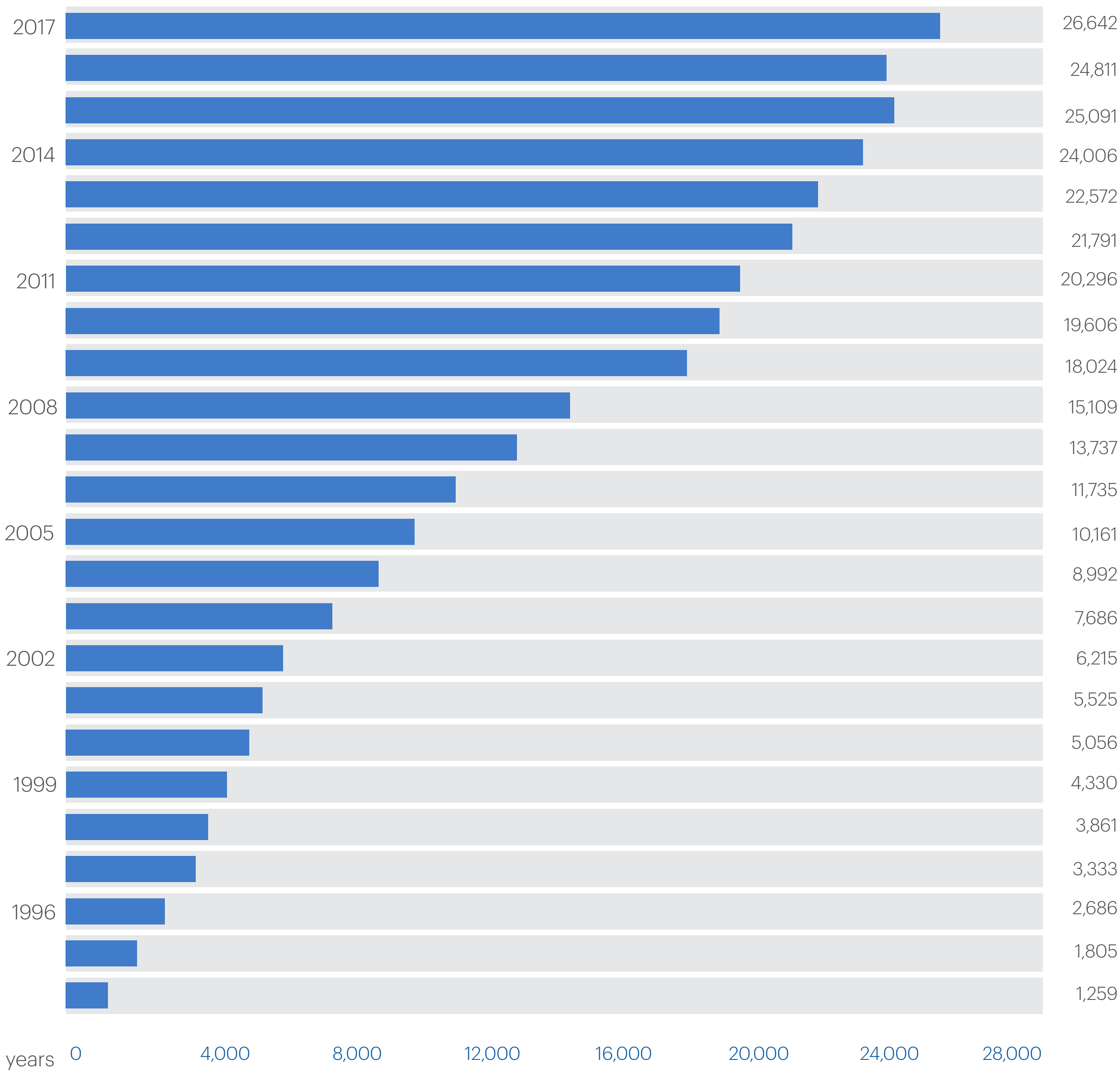
BLOM BANK's reputable banking and financial services are also richly complemented with corporate social responsibility (CSR) services. In 2017, the Bank's distinguished CSR record in education, culture, and humanitarian causes was reinforced by two new undertakings. First, BLOMINVEST BANK was selected to administer the Hult prize for Lebanon with a budget of USD 1.5 million, where teams will be competing on the theme of "how to leverage energy to transform the lives of 10 million people". In addition, BLOM BANK will sponsor the communications budget for the Hult prize in Lebanon, Jordan, and Egypt. Second, BLOMINVEST BANK launched, in partnership with Economena and Moody's, the BRITE platform which is an exhaustive website that provides free access to more than 5,000 economic and financial indicators on Lebanon.

Looking forward, BLOM BANK will continue to strengthen its status as a leading bank in the region; and will continue with its successful strategy of gradual digital transformation and the development of its foreign footprints, especially in Egypt which is the second largest market of the BLOM BANK Group. It will also look forward to partake in the economic restructuring of Lebanon once, as we all hope, the "Cedre" funds start pouring into the country and the requisite reforms are undertaken.

Lastly, BLOM BANK's achievements would not have been possible without the goodwill of our stakeholders, from our customers and shareholders to our staff and management. We thank you all, very truly.

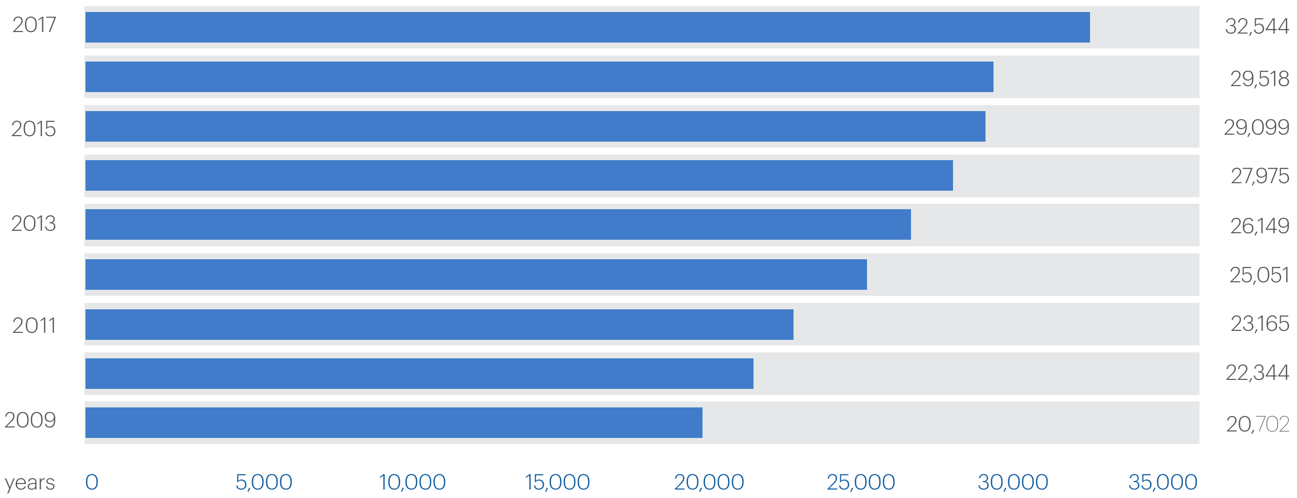
Mr. Saad AZHARI
Chairman and General Manager

CONSOLIDATED CUSTOMERS' DEPOSITS EVOLUTION (IN USD MILLION)

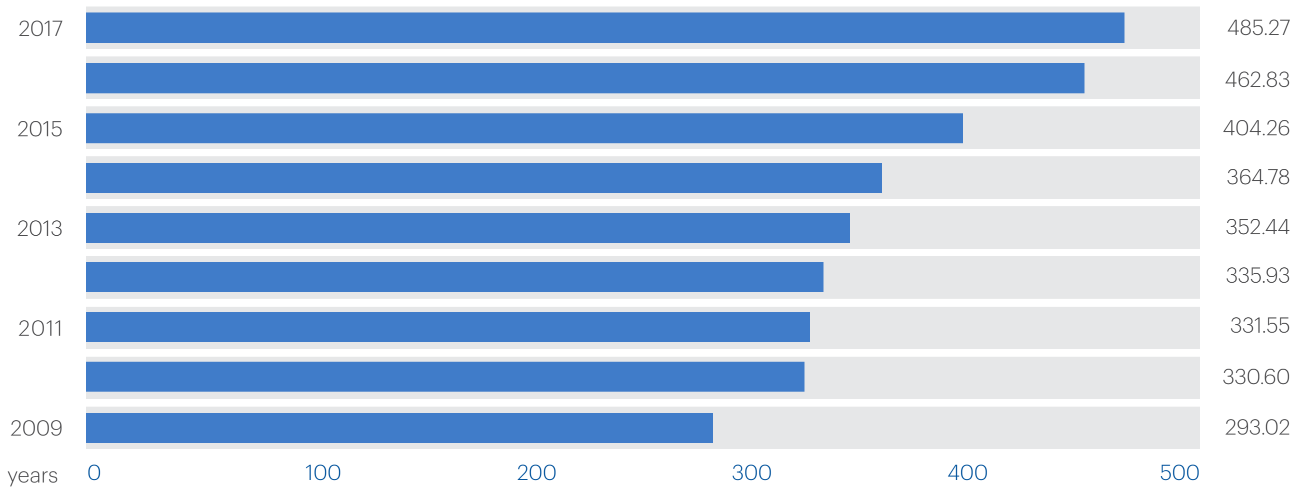


STRONG AND CONTINUOUS GROWTH

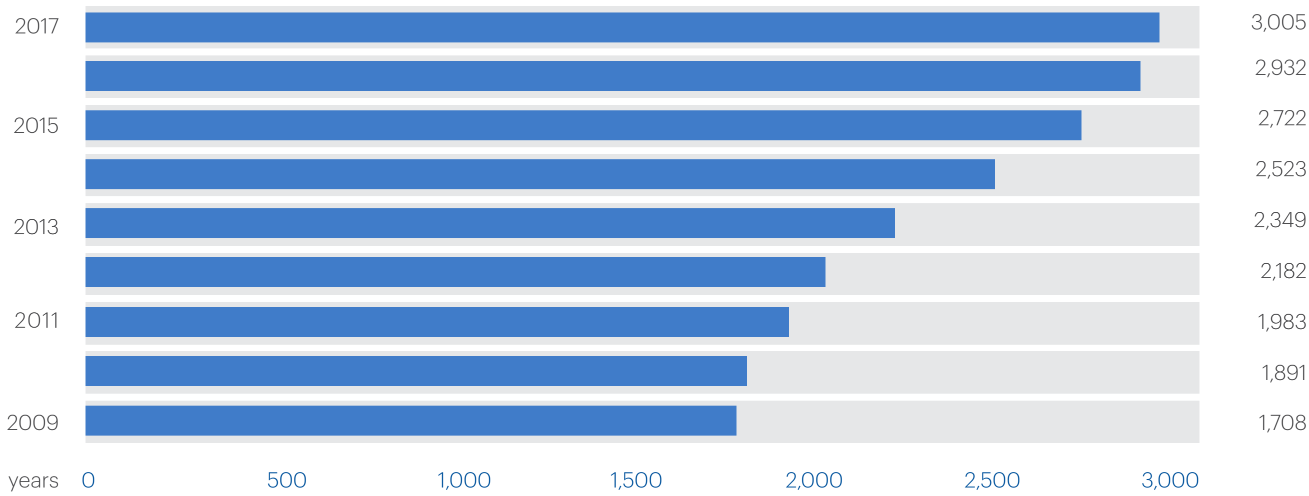
TOTAL ASSETS (IN USD MILLION)



NET PROFITS (IN USD MILLION)



TOTAL CAPITAL FUNDS (IN USD MILLION)



EVOLUTION OF MAIN INDICATORS

USD Million	2017	2016	Change 17/16
Assets	32,544	29,518	10.3%
Net Loans and Advances to Customers	7,538	7,164	5.2%
Customers' Deposits	26,642	24,811	7.4%
Tier 1 Equity	2,995	2,922	2.5%
Capital Funds	3,005	2,932	2.5%
Net Liquid Assets	21,544	18,237	18.1%
Net Profits	485.27	462.83	4.8%

CONSOLIDATED FINANCIAL RATIOS

	2017	2016
Liquidity Ratios		
Net liquidity in LL	122.47%	105.25%
Net immediate liquidity in foreign currency	67.39%	60.83%
Liquid assets over total assets	67.30%	62.49%
Liquidity in Total Currency	81.39%	74.44%
Loans to Deposits Ratios		
LL	25.45%	20.88%
F/C	29.26%	32.35%
Total	28.30%	28.88%
Asset Quality		
Net Non-Performing Loans / Net Loans	0.52%	0.44%
Gross Non-Performing Loans / Gross Loans	3.13%	4.19%
Coverage of Non-Performing Loans (Monetary provisions)	83.91%	89.94%
Coverage of Non-Performing Loans (Monetary provisions & Real Guarantees)	128.42%	140.10%
Capital Adequacy Ratios		
After dividend distribution (Basel III)	18.14%	19.85%
Profitability Ratios		
Return on average equity	16.40%	16.43%
Return on average equity (Common)	17.20%	17.09%
Return on average assets	1.56%	1.58%
Cost-to-income ratio	34.36%	35.90%
Earnings per share USD	USD 2.25	USD 2.20
Book value per common share USD	USD 13.73	USD 12.92
Dividend per common share USD	USD 1.128	USD 0.995
Dividend payout ratio	50.14%	49.16%
Retention Ratio	49.86%	50.84%
Dividend Yield (Prices as at payment date)	10.21%	8.51%

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

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

Branch Managers

77 in Lebanon **1** in Cyprus **15** 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 (15 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%

10%
BLOMINVEST SAUDI ARABIA
Head Office: Riyadh

50%

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

66.65%

89.04%
AROPE INSURANCE S.A.L.
Head Office: Beirut
Branches: Lebanon - 9 Branches

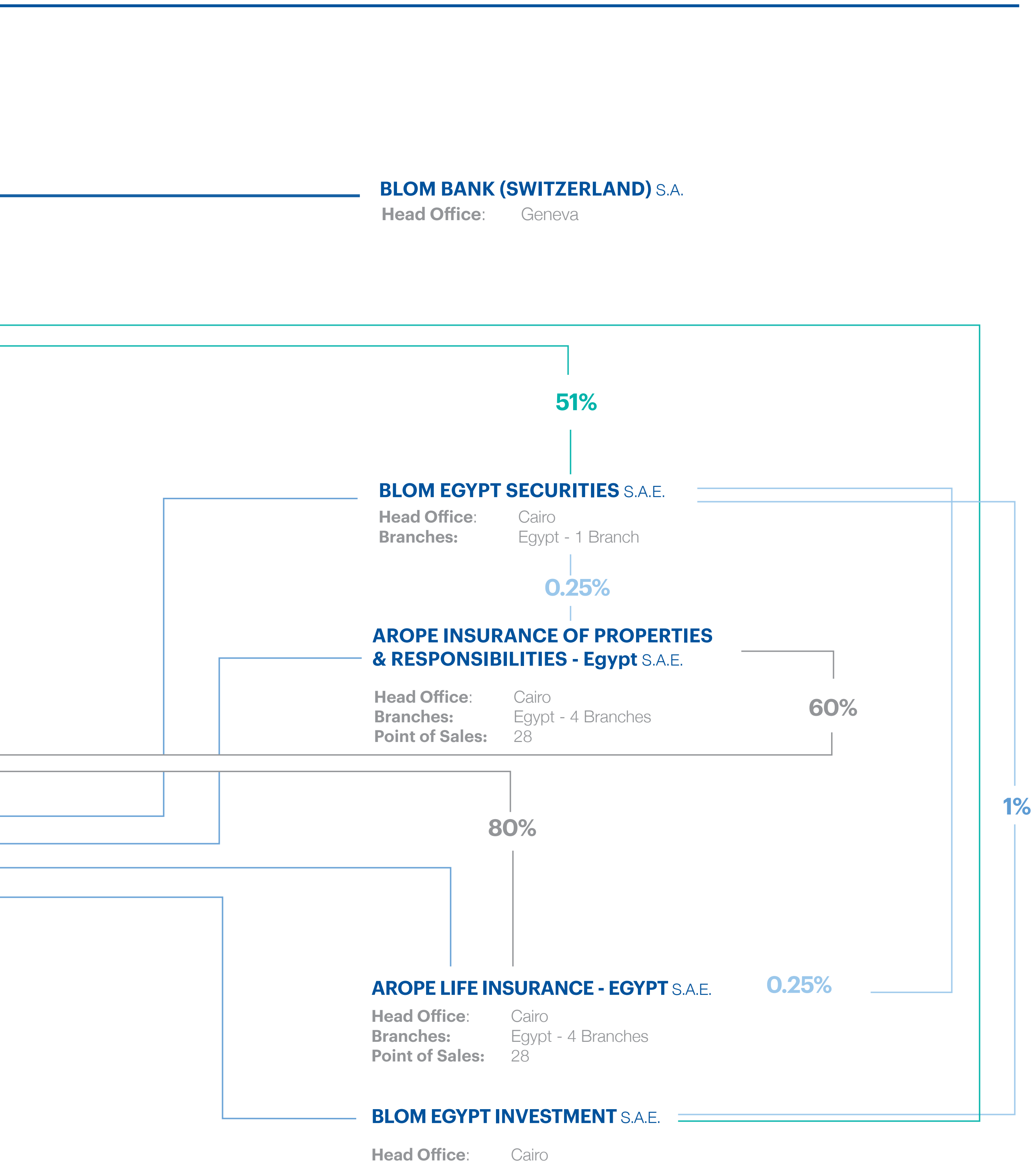
99.42%
BLOM BANK EGYPT S.A.E.
Head Office: Cairo
Branches: Egypt - 38 Branches

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, 2018

Avant-garde services
infused with innovation to
give you continuous
convenience.

Are you 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 2017. 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 five specialized Board Committees (the Audit Committee, the Risk Management Committee, the Consulting Strategy and Corporate Governance Committee, the Nomination and Remuneration Committee and the Compliance 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 and other information about the Board of Directors and Senior Management. According to the Governance and integrity Ratings (GIR) report on Online Transparency and Disclosure published in 2017, BLOM BANK received an "A" grade, the highest among all listed banks and companies on the Beirut Stock Exchange.

The Bank's Board of Directors view the ongoing development of Corporate Governance as a matter of even greater 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 2018 to be spent on environmental, social, economic and governance driven initiatives. In addition, the Bank appointed an external consultant to assess its environmental and social practices as part of its commitment to meet international E&S standards.

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

NAME	Address	Common Shares in Capital *
Bank of New York**	United States	34.37%
Banorabe S.A., SPF***	Luxembourg	17.55%
Chaker Family	Lebanon	4.83%
Azhari Family	Lebanon	7.53%
Jaroudi Family	Lebanon	2.71%
Saade Family	Lebanon	2.55%
Khoury Family	Lebanon	1.95%
Actionnaires Unis	Lebanon	1.83%
Rest of Shareholders		26.68%
Total		**100.00%**

** As at 31st March, 2018.*
*** 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 Engineering & MBA	Director since 1996 Chairman and General Manager since 2007
Mr. Nicolas N. SAADE	Director	MBA in Finance & B.A. in Economics	Director since 1990
Dr. Fadi T. OSSEIRAN	Director	Ph.D. in Economics	Director since 2008
Mr. Marwan T. JAROUDI	Director	MBA 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 & Engineering Degree	Director since April 2017
Me. Aimée SAYEGH	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.

Dr. Naaman W. AZHARI
Chairman of BLOM BANK Group

- Chairman of Banorabe SA, 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 bank 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
- Board Member of Banorabe SA, 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 SA, 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 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 SA, 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 Company
- 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.
- 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.

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. since 2008
- 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.

- Independent Director of BLOMINVEST BANK S.A.L. starting March 15, 2018
- Lead Director of the Board's Independent Directors of BLOM 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.
- Member of Board Nomination and Remuneration Committee of BLOMINVEST BANK S.A.L.
- Member of Board Risk Management Committee of BLOMINVEST BANK S.A.L. starting March 15, 2018

Mr. EL ZEIN 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 – 2008 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 - 1994 he was a Director with Deutsche Bank AG, London, managing the Southern Europe and Middle East Fixed Income Capital markets.

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

From 1980 - 1981 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.

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

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 till 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.

Mr. Amr N. AZHARI

General Manager of BLOM BANK S.A.L.
Executive Director 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.
- 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 SA, 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 to 2004 Mr. Amr AZHARI held several positions in Banque Banorabe (BLOM BANK FRANCE) Paris and Dubai branches.

From 2004 to 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 to 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. starting April 2017

- Board Member of BLOM BANK SWITZERLAND S.A. since 1990
- Member of the Board Audit Committee of BLOM BANK S.A.L. starting April 7, 2017

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. starting April 2017

- Member of the Board Risk Management Committee of BLOM BANK S.A.L. starting April 7, 2017

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. starting April 2017

- Board Member of BLOM DEVELOPMENT BANK S.A.L. starting April 2017
- Member of the Board Risk Management Committee of BLOM BANK S.A.L. starting April 7, 2017
- Member of the Board Nomination & Remuneration Committee of BLOM BANK S.A.L. starting April 7, 2017
- Head of the Board Compliance Committee of BLOM DEVELOPMENT BANK S.A.L. starting April 6, 2017

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 2017

The following BLOM BANK S.A.L. board meetings were held during 2017

13/1/2017 17/3/2017 7/4/2017 13/7/2017 15/9/2017 15/12/2017

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 to 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) 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.

- Member of the Board of BLOMINVEST BANK S.A.L. starting April 2017
- Member of the Board of Société Foncière du Liban et d'Outre-Mer S.A.L.
- Member of the Board of Société de Services d'Assurance et de Marketing S.A.L.
- Member of the Board Risk Management Committee of BLOMINVEST BANK S.A.L.

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.

Mr. Talal A. BABA

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

- Member of the Board of Société Foncière du Liban et d'Outre-Mer S.A.L.

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 26 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.

Dr. Pierre G. ABOU-EZZE

Assistant General Manager
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.

Mrs. Jocelyne Y. CHAHWAN

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

- Member of the VISA CEMEA Business Council

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.

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.

Mr. Antoine N. LAWANDOS

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

- 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.

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 Manager	
Mr. Talal BABA	Finance & Treasury
Assistant General Managers	
Dr. Pierre ABOU EZZE	Human Resources
Mrs. Jocelyne CHAHWAN	Retail Banking
Mr. Antoine LAWANDOS	Information Systems
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
Corporate Secretary	
Me. Aimée SAYEGH	
Chief Economist	
Dr. Ali BOLBOL	
Security Advisor	
Mr. Mohamad Ibrahim Fehmi	

DIVISIONS, DEPARTMENTS & UNITS	
Administration	Mr. Mohamed Yehia KHALED
Branch Network Advocacy	Mr. Mohammad MASRI SIDANI
Branch Network Management	Mrs. Nathalie GHARIOS
Business Development for Commercial Clients*	Mrs. Carla AJAKA
Central Funds Transfer	Mrs. Rima HAJJAR (EL)
Central Operations & Group Strategic Planning	Mr. Talal IBRAHIM
Communications	Mrs. Isabelle NAOUM
Corporate Credit & Relationship	Mr. Jihad ACHKAR
Corporate Secretary	Me. Aimée SAYEGH
Credit & Facilities	Mr. Mounir TOUKAN
Digital & Special Projects	Mrs. Tracy BACHAALANI
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
Recovery	Ms. Hiba CHERIF
Retail Banking	Mrs. Jocelyne CHAHWAN
Risk Management - Lebanon	Mr. Roy RUBEIZ
SMEs Relationship	Mr. Charles HADDAD
Trade Finance	Dr. Massoud KANTAR
Treasury	Mr. Marwan ABOU KHALIL

(*) Starting 18 May 2018

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Management Discussion & Analysis 2017

1. THE OPERATING ENVIRONMENT IN LEBANON AND THE MENA REGION

Higher oil prices due to reduced production and continuing geopolitical tensions between Iran and Saudi Arabia were the MENA's region main highlights in 2017 and whose impact will continue to be felt in the year to come. Not surprisingly, the Lebanese economy was not shielded from the woes of the region with the most prominent consequence being November's shocking resignation of Prime Minister (PM) Saad Hariri from Saudi Arabia.

In reality, 2017 marks a year of achievements for Lebanon. The year kicked off with optimistic prospects following the election of General Michel Aoun as a president of the Republic and the formation of a new cabinet during the last quarter of 2016. Major developments characterized the second half of the year and were topped by the victory of the Lebanese army over ISIS in its military operation "Fajr al Jurud", the ratification of a new electoral law for the elections in May 2018, the approval of the first state budget since 2005 and the endorsement of the long awaited wage hike for public sector employees through tax hikes. However, the resignation of Hariri constituted a setback for the Lebanese economy but was shortly concluded with the PM withdrawing his resignation and the cabinet committing to the policy of "dissociation" from regional conflicts.

SELECTED ECONOMIC INDICATORS – BLOMINVEST AND IMF ESTIMATES

	2017e	2018e	2019e	2020e	2021e	2022e
Real GDP Growth, Percent change	1.5	2	2.5	2.5	3	3
Inflation, average consumer prices, Percent change	4.44	2.5	2	2	2	2
General government net lending/ borrowing, Percent of GDP	-9.89	-10.27	-11.02	-11.60	-12.16	-13.10
General government gross debt, Percent of GDP	152.29	156.14	160.76	165.65	170.02	174.92

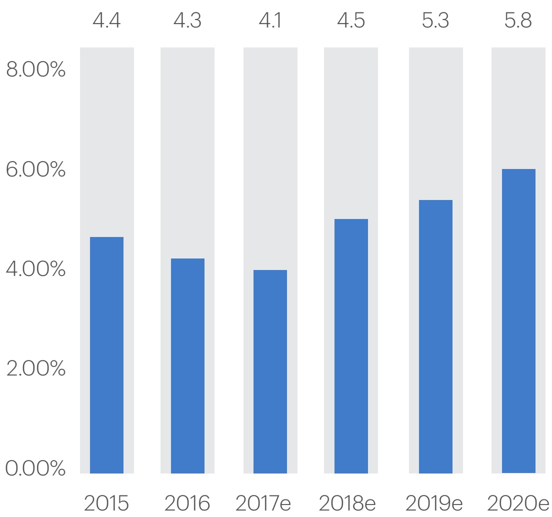
As a matter of fact, Lebanon's real Gross Domestic Product (GDP) growth rate is estimated to have slightly improved to 1.5% in 2017 as compared to 1.0% in 2016 on the back of a recovering tourism activity and a strong banking system. As for the year to come, economic growth will remain highly dependent on the course of political events and mostly the parliamentary elections in May. When it comes to prices, inflationary pressures are expected to continue in 2018 as a result of the recovering oil prices and the increase in the Value Added Tax (VAT), still at a slower pace than that of 2017.

Source: BLOMINVEST Research Department, IMF Regional Outlook, October 2017

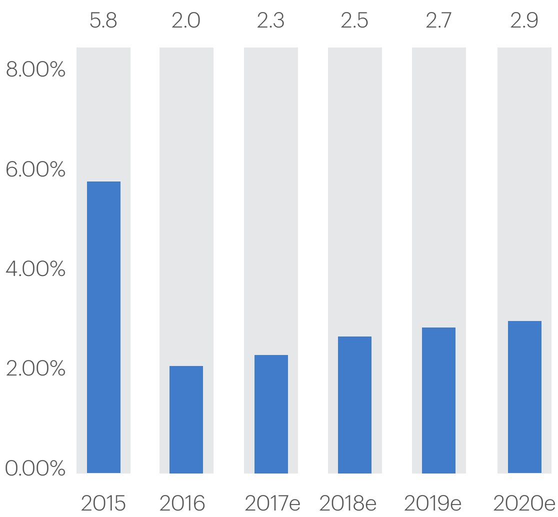
1.1. OUTLOOK ON THE MENA REGION

REAL GDP GROWTH IN %:

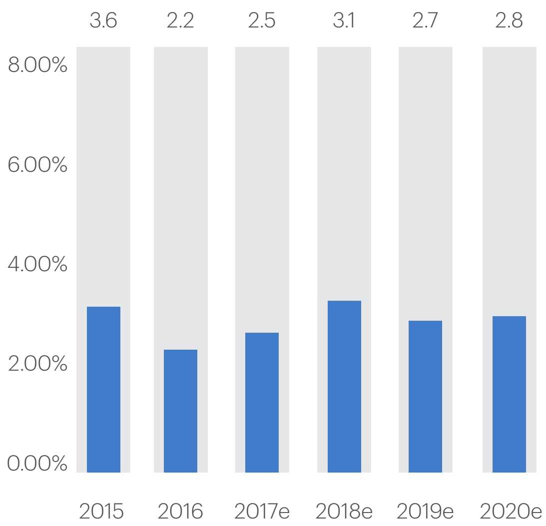
EGYPT



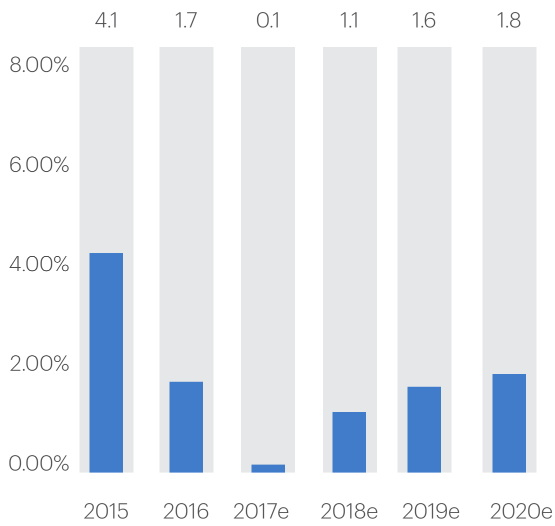
JORDAN



QATAR



SAUDI ARABIA



Source: IMF, World Economic Outlook

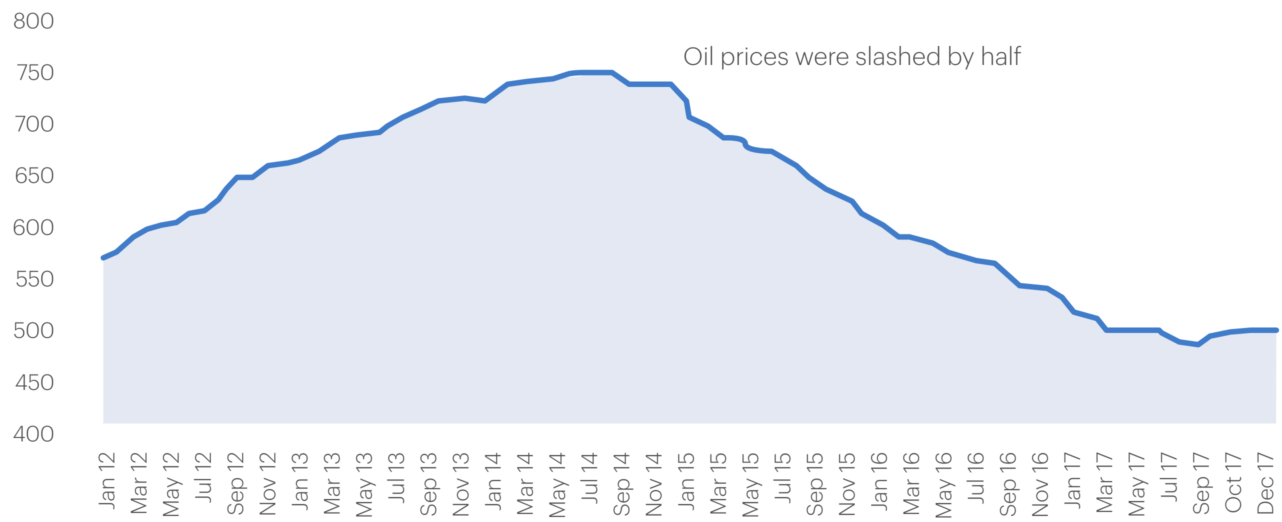
The new backdrop in the oil market and the ensuing adjustments has kept growth subdued in the Middle East, North Africa (MENA) region. According to the IMF, real GDP growth in the MENA region declined from 5.1% in 2016 to 2.2% in 2017.

The Organization of the Petroleum Exporting Countries (OPEC's) commitment to supply cuts well into the first quarter of 2018 (Q1 2018) boosted oil prices from an average of USD43/barrel in 2016 into the range of the USD 50-USD 60 in 2017. Despite the reduction in supply, oil prices however remain far from their pre-drop levels of around USD 140/barrel and are expected to continue fluctuating within the USD 50 - USD 60 range, according to the IMF.

The subdued oil prices generated fiscal and external deficits in oil-exporting countries, which called for fiscal consolidation efforts across the board. After widening in 2016 compared to 2015, the current account and fiscal deficits for the MENA region narrowed from 4.4% of GDP and 10% of GDP in 2016 to 1.7% of GDP and 5.7% of GDP in 2017.

However, austerity measures subdued non-oil growth and appeared to have been too forceful in countries such as the Kingdom of Saudi Arabia. After the plunge in oil prices, Saudi Arabia slashed spending, namely enforcing a 20% cut on ministers' salaries in September 2017. However, the Kingdom of Saudi Arabia has decided to roll back its fiscal austerity measures in line with an IMF recommendation which signaled a need to "slow-down". Saudi Arabia pushed its balanced-budget target beyond 2019 and delayed energy subsidy cuts. In fact, the Saudi Arabian Monetary Agency's (SAMA) foreign reserves, although lower than the period prior to the oil-price plunge, remain sizeable at USD 496.42 billion in December 2017.

RESERVE ASSETS AT THE SAUDI ARABIAN MONETARY AGENCY (SAMA), (IN BILLION USD)

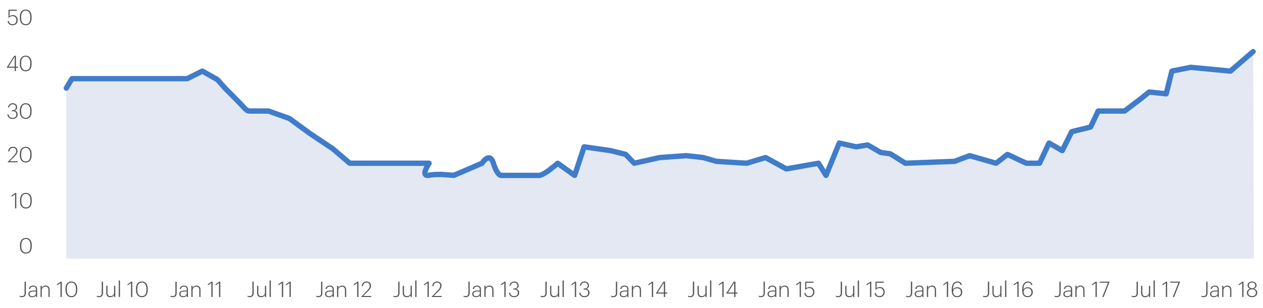


Source: SAMA

As for oil-importing economies, they witnessed an increase in local demand and benefited from the cyclical recovery in the global economy, according to the IMF. The fund's growth estimates are at 3.9% in 2017, up from 3.2% in 2016. Moreover, the fiscal deficit in MENA oil-importers is expected to narrow from 8.2% of GDP in 2016 to 7.4% of GDP in 2017 and 5.6% in 2018.

Egypt and Jordan in particular are likely to benefit from a stronger external position. In Egypt, the floating of the Egyptian pound, the removal of foreign currency controls, are likely to attract more Foreign Direct Investments (FDIs) and render the populous country's exports even more price-competitive. These were all mandatory measures which allowed Egypt to qualify for the USD 12 billion IMF loan that is being disbursed in phases. However, Egypt needs to strengthen its social safety net by substituting subsidies with direct cash-transfers to the poorest segment of the population. As for Jordan, the IMF notes that it will benefit from the re-opening of the border with Iraq back in August 2017.

EGYPT, CENTRAL BANK FOREIGN RESERVES (IN BILLION USD)



Source: Bloomberg

However, oil-importing countries are still facing significant vulnerabilities. Regional conflicts and a precarious security situation continue to negatively impact this groups' economic outlook. Social tension is a particular concern especially as countries such as Egypt implement necessary but unpopular reforms such as gradually phasing-out of energy subsidies until they are completely eliminated in fiscal year 2021/2022 and adding a new fee to the ordinary electricity bill, a measure expected to bring in USD 9 million in fiscal year 2018/2019 to be deposited in the Energy Efficiency Fund, a bank account at the Central Bank of Egypt.

1.2. THE OPERATING ENVIRONMENT IN LEBANON

The relative stability on the security front managed to help the Lebanese economy to recover in 2017. Despite the shocking resignation of PM Saad Hariri in November 2017 and other major political shocks during the year, the Lebanese economy proved to be resilient as revealed by the real Gross Domestic Product (GDP) growth that is estimated, according to the International Monetary Fund (IMF), at 1.5% for the year 2017.

Private sectors' business conditions witnessed a slowdown in their deterioration during the year, with an average PMI of 46.6, compared to 45.7 in 2016. Lebanon's PMI ended the year with further contraction following the continuous instability on the Lebanese political scene and signaling a worsening activity within the private sector. The weakness of the PMI came on the back of lower new orders as well as diminishing output.

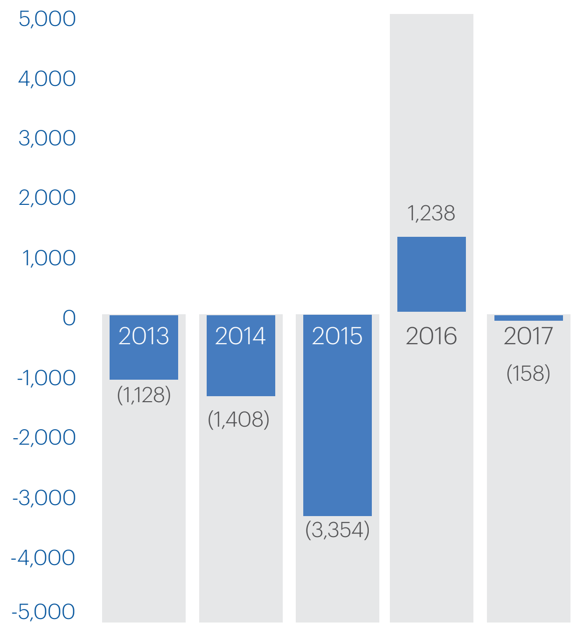
When it comes to inflation, average inflation witnessed a significant rise on the back of the increasing average oil prices in 2017. The average inflation rate stood at 4.4% in 2017, compared to an average of 0.8% in 2015.

Lebanon's tourism sector slightly recovered this year, recording a 7-year high in tourist arrivals, as the security and political situation improved. As such, the number of tourists grew by a yearly 10% by December 2017 while their spending increased by 5.5%. The latter can be explained by the increasing number of gulf nationals that are the heaviest spenders in Lebanon. The former is due to the increase across the board in the number of tourists, mainly Europeans. In addition, according to Ernst & Young Middle East hotel benchmark survey, the occupancy rate of Beirut Hotels surpassed the 64% rate recorded back in 2011 to reach 64.8% by November 2017. Hotel occupancy in Beirut recuperated in the summer as well as during the Easter vacation in April.

The real estate sector also witnessed a partial recovery amid the relatively more stable security situation on the local level. Progressing real estate activity was translated by a 9.49% yearly rise in the total number of property transactions. Likewise, real estate supply increased in 2017 with the number of construction permits recording an annual uptick of 13.6%, to reach 95,856 transactions by the end of 2017.

On the external front, the Balance of Payments (BoP) deteriorated in 2017, recording a deficit of USD 156 million by the end of the year, compared to a surplus of USD 1.23 billion in 2016. In 2017, three key events impacted the BoP throughout the year, and these include: the March 2017 issuance of USD 3 billion in Eurobonds, the November political crisis, and the USD 1.7 billion Eurobonds swap between BDL and the MoF. In fact, the capital flow of USD 2.6 billion following PM Saad Hariri's resignation was partially reversed in December. The BoP recorded a USD 1.12 billion deficit in the first six months of the year, which outweighed the USD 959.9 million surplus recorded in H2 2017.

BALANCE OF PAYMENTS (IN USD MILLION)



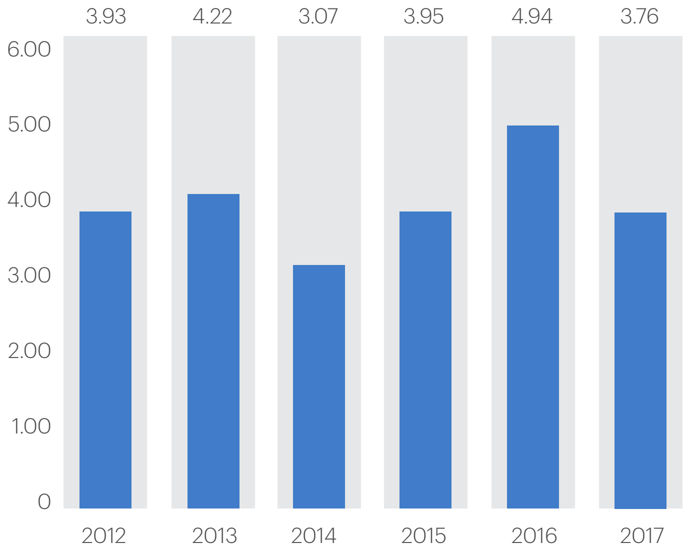
Lebanon's fiscal deficit narrowed by 24% year-on-year (y-o-y) to USD 3.76 billion by December 2017. This was attributed to the 17.15% yearly increase in fiscal revenues, to USD 11.62 billion, outpacing the 3.45% annual rise, to USD 15.38 billion, in government expenditures.

During the same period, the total primary balance displayed a surplus of USD 1.43 billion by the end of 2017 compared to a lower primary surplus of USD 20.61 million by December 2016.

Total budget revenues stood at USD 10.78 billion by December 2017, compared to a lower level of USD 9.28 billion by December 2016. Tax revenues, constituting the largest share of total public revenues, increased by a yearly 16.83% to USD 8.21 billion. In details, miscellaneous tax revenues, constituting the lion's shares of total tax receipts (54.46%) rose by a yearly 28.5% to USD 4.47 billion. Moreover, VAT revenues (grasping a 28.07% share of tax receipts) rose by 7.47% y-o-y to USD 2.31 billion, and custom revenues (17.47% of tax receipts) added 2.18% to USD 1.43 billion, over the same period. As for telecom revenues (11.92% of total government revenues), they grew by 1.51% y-o-y to USD 1.28 billion by December 2017.

As for expenditures, total budget expenditures rose by a yearly 8.74% to USD 14.08 billion by December 2017. Regarding transfers to Electricite du Liban, they surged by 43.25% annually to USD 1.33 billion, as a result of the increasing oil prices. Similarly, interest payments on government's debt went up 4.67% y-o-y to USD 4.99 billion, due to the 5.58% rise in interest payments on domestic debt to USD 3.23 billion, and the 3.05% annual rise in the interest payments on foreign debt to USD1.76 billion.

YEARLY GOVERNMENT DEFICIT (IN USD BILLION)



Source: Ministry of Finance

According to the Ministry of Finance (MoF) and the Association of Banks (ABL), Lebanon's gross public debt climbed by an annual 6.19% to reach USD 79.52 billion by end of 2017. In fact, the recorded growth almost equated that of 2016.

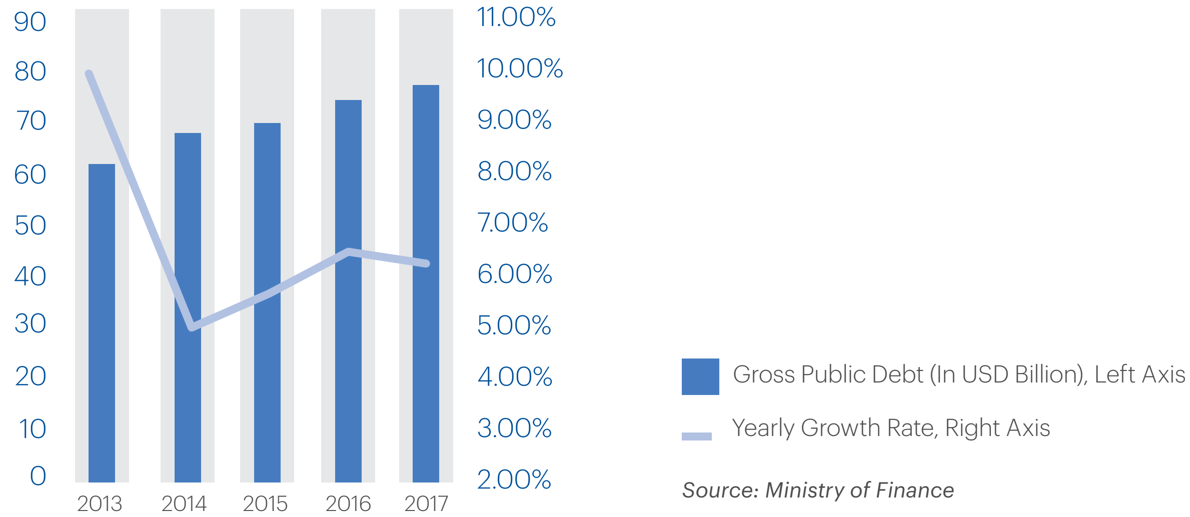
In details, local currency debt (denominated in LBP) grasped a share of 61.8% of total gross debt and rose by an annual 5.03% to reach USD 49.14 billion by December 2017. Meanwhile, foreign currency debt composed the remaining 38.2% of the total and registered a yearly uptick of 8.11% to USD 30.38 billion over the same period.

As such, the composition of the debt stock by the end of the year continued to reflect a higher growth rate in foreign currency debt than in Lebanese pounds (LBP) debt, and this is partly due to the USD 1.7 billion Eurobonds swap issuance in November 2017.

In terms of LBP debt holders, Lebanese commercial banks held 37.5% of total debt, while BDL grasped a stake of 48% of total debt in LBP in 2017. Meanwhile, the non-banking sector's share of gross total debt in LBP stood at 14.5% by December 2017.

In its turn, net public debt which excludes the public sector deposits at commercial banks and the Central Bank, rose by 5.96% year-on-year to settle at USD 69.32 billion at the end of 2017.

YEARLY GROWTH RATE OF THE GROSS PUBLIC DEBT



Source: Ministry of Finance

The monetary sector remains as being one of Lebanon's main pillars, resilient amid economic and political shocks in the country. Despite the fluctuations in major global currencies, the Lebanese Central Bank, BDL, managed to keep the exchange rate moving with the narrow band it has fixed before at USD/LBP 1,500-1,514. As such, BDL's assets recorded a 15.57% yearly increase to USD 118.25 billion by 2017. Foreign assets (excluding gold) went up by 3.14%, to stand at USD 41.99 billion, equivalent to 27 months of imports. As for money supply, broad money M3 grew 4.2% y-o-y, to stand at USD 138.38 billion by the end of 2017.

The balance sheets of the Lebanese commercial banks revealed a 7.61% yearly progress in assets to stand at USD 219.86 billion at end of this year. This came mainly as a result of 5.49% yearly increase in loans to the private sector to USD 60.32 billion. As for the banks' liabilities, resident private sector deposits and non-resident private sector deposits increased by a yearly 3.90% and 3.52% to USD 133.51 billion and USD 35.16 billion respectively by December 2017. The dollarization ratio for deposits hiked from 65.82% in December 2016 to 68.72% in 2017.

The Beirut Stock Exchange (BSE) debilitated during the year, specifically in the fourth quarter of 2017. The BLOM Stock Index (BSI) dropped by a yearly 5.36% to end the year at 1,147.75 points. However, the market capitalization increased from USD 10.20 billion end of 2016 to USD 11.32 billion, as a result of BLOM BANK increasing its common shares to 215,000,000 shares, compared to a previous 141,103,990 shares. The total traded value and volume also took the hit of the unstable political situation; 108.25 million shares worth USD 884.73 million were traded by the end of 2016 versus 62.11 million shares worth USD 536.85 million by the end of 2017.

In addition, demand for Eurobonds regressed, as shown by the BLOM Bond Index which dropped 0.82% to reach 101.06 points, end of 2017. The Lebanese Ministry of Finance (MoF) successfully issued USD 3 billion in Eurobonds to finance the public debt, of which USD 1.5 billion replaced Eurobonds maturing in March 2017 whilst the rest was "fresh money". This issuance made up of 3 tranches (10, 15, and 20 years) was the biggest single sovereign bond issuance denominated in foreign currency. Looking at the 5 years and 10 years yields, they surged by 23 bps and 29 bps to 6.90% and 7.40%, respectively.

1.3. THE LEBANESE BANKING SECTOR

In line with the previous years, Lebanese banks preserved their role as buffers against the recurring headwinds of an uncertain economy. As a matter of fact and despite the existing low growth environment, banks remained the economic growth's last resort providing continuous support for the country's consumption and investment activities. That was confirmed in November 2017, when PM Hariri announced its shocking resignation which amplified concerns regarding the country's outlook. In turn, this has led to a surge in conversions from Lebanese pounds to U.S dollars and in turn steered a surge in the Lebanese interbank rates. As a result, the Central Bank intervened in order to support the Lebanese pound by encouraging banks to increase interest rates on Lebanese pound deposits. However, the PM withdrew its resignation shortly after and that drove interest rates back to their normal levels by the end of November 2017.

The Alpha Group's (Lebanese banks with deposits over USD 2 billion) total assets registered an increase in 2017, in large part due to higher domestic assets. According to Bankdata, the Alpha Group's total assets rose by 6.6% year-on-year to USD 232.98 billion in 2017. Domestic assets, which constitute 84.25% of total assets, registered an 8.00% annual upturn to USD 196.29 billion while foreign assets, representing 15.75% of total assets, registered a 0.04% yearly increase to USD 36.69 billion.

The lending activity of Lebanese Alpha Banks also grew in 2017 on account of domestic lending. The tough operating environment in the foreign countries where Lebanese Alpha banks operate translated into a decline in foreign lending. Although total loans to customers registered an annual uptick of 1.7% to USD 66.51 billion, foreign loans declined by a yearly 9.2% to USD 17.34 billion and domestic loans grew by an annual 6.1% to USD 49.17 billion.

The composition of Alpha Bank loans shows the predominance of dollar-denominated loans. Loans denominated in foreign currencies accounted for 70% of total Alpha Banks' loans and grew by an annual 3.2% to USD 34.44 billion in 2017. Meanwhile, the stimulus packages offered by the Central Bank of Lebanon every year since 2013 have allowed banks to offer loans in local currency at low interest rates; Appetite for the Central Bank's subsidized loans has been growing with the Alpha Banks' local currency loans registering a double digit growth of 13.7% to reach USD 14.73 billion in 2017.

Customer deposits grew in 2017 but at a slower rate compared to 2016. In fact, while customer deposits registered a 3.99% year-on-year uptick in 2016, they rose by a slightly lower rate of 3.5% in 2017 to reach USD 182.59 billion due to the uncertainties that marked 2017, especially in the last quarter. The increase in overall customer deposits was solely due to the yearly 4.8% rise in domestic deposits to USD 156.80 billion in 2017 since foreign deposits actually fell by an annual 4.3% to USD 25.79 billion in 2017.

Despite the challenging economic environment, Alpha Banks continued to sustain a high level of liquidity and asset quality. The Alpha Banks' loans to deposits ratio slightly slid from 37.07% in 2016 to 36.42% in 2017. The domestic loans to deposits ratio slightly rose from 24.44% in 2016 to 28.87% in 2017 since deposits in LBP slid in 2017 while the loans to deposits ratio in foreign currencies slid from 42.49% in 2016 to 39.35% in 2017 as deposits in foreign currencies grew in 2017. Moreover, the primary liquidity to assets ratio registered an increase from 35.12% in 2016 to 40.58% in 2017. In terms of asset quality, the ratio of gross doubtful loans to total gross loans remained almost unchanged at 5.63% in 2017, slightly lower than the 5.65% registered back in 2016.

The Alpha Group sustained its profitability in 2017. According to Bankdata, the group's net profit rose by 6% year on year to reach USD 2.40 billion in 2017. The group's operating profit actually dropped by a yearly 14% to USD 2.76 billion mainly on account of substantial drops in net gains on financial investments which could be explained by the fact that this account witnessed exceptional gains in 2016 due to the financial engineering program launched by the Central Bank of Lebanon.

2. OVERVIEW

In 2017, BLOM BANK witnessed another successful year marked by a solid financial position, a more diversified menu of products and services, and a wider regional presence.

BLOM BANK's strong position as the leading banking group in Lebanon was reflected by maintaining its status as the most awarded bank for awards received in 2017 and 2018:

The Banker
- Bank of the Year – Lebanon 2017

Euromoney
- Best Bank in Lebanon for 2018

Global Finance
- Best Investment Bank in Lebanon for 2018 (BLOMINVEST BANK)
- Best Treasury & Cash Management Provider in Lebanon for 2017
- Best Consumer Digital Bank in Lebanon for 2017

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

The Asian Banker
- Best Retail Bank in Lebanon for 2018

EMEA Finance
- Best Bank in Lebanon for 2017
- Best Asset Manager in Lebanon for 2017 (BLOMINVEST BANK)
- Best Investment Bank in Lebanon for 2017 (BLOMINVEST BANK)

The European
- Corporate Bank of the Year for MENA 2018
- Bank of the Year Lebanon for 2018
- Strongest Bank in Lebanon for 2018

BLOM BANK also continued to maintain the highest financial ratings in Lebanon. As such, the Bank has been repeatedly rated by Capital Intelligence, a Middle East-specialized rating agency, at "B", which is the highest financial strength rating in Lebanon. Moreover, Moody's maintained its foreign currency rating of "B3", and S&P of "B-". Also the Bank received the highest corporate governance score at 89% from Capital Concepts.

In 2017, as one of the largest and most profitable banks in the country, BLOM BANK's net profit reached USD 485.3 million higher by 4.8% from 2016, while total assets attained USD 32.54 billion and total customers' deposits reached USD 26.64 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 2017, 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 three new branches in Lebanon: Mar Takla - Hazmieh, Batroun, and Halba; four new branches in Egypt: Masaken Sheraton, Moustafa El Nahas, Sermouha, and Mit Ghmar; and one branch in Jordan: Mecca Mall. As important, the Bank acquired in June 2017 the assets and liabilities of the three branches of HSBC Lebanon, and merged one of the branches - Hamra - with the Bank's Hamra branch.

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 in their asset composition and geography. As a result, funds under the new Company's management reached USD 484.25 million in December 2017, growing at a CAGR of 5.95% since 2010. The aim from these managed assets is the diversification in the sources of income that gives increasing share to non-interest income.

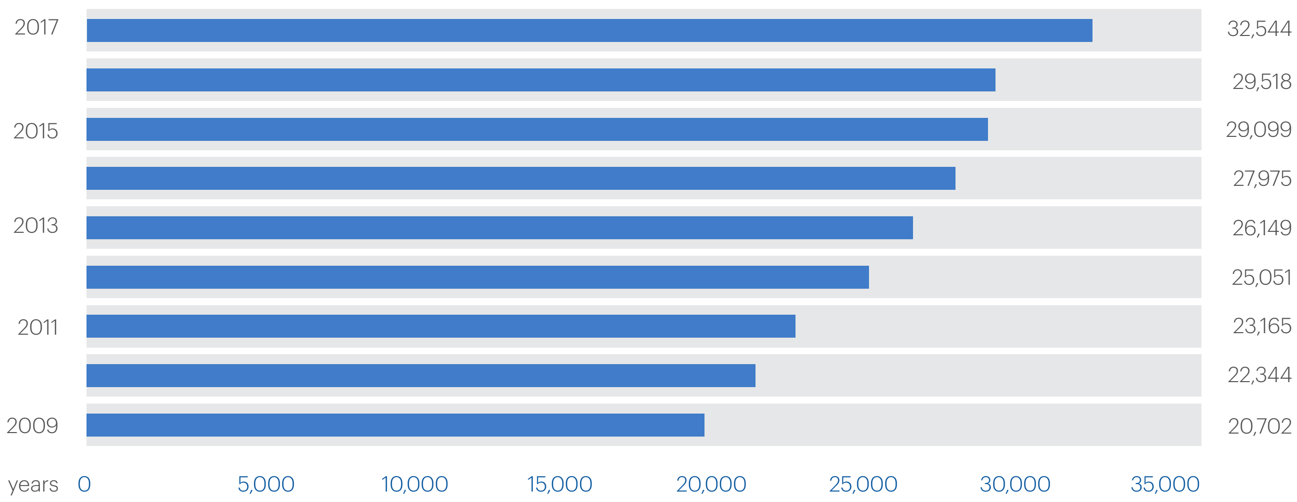
BLOM BANK will continue to pursue its growth strategy in the coming years by capitalizing on its distinguished resources and capabilities and its successful business model. It will also pursue a digitalization strategy that relies increasingly on the digital provision of its services and connectivity with its clients.

3. TOTAL ASSETS

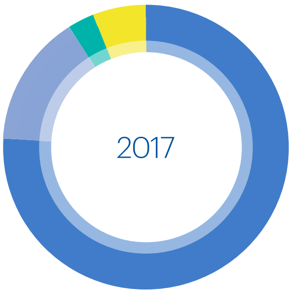
BLOM BANK's total assets continued to witness healthy growth rates in year 2017. Total Assets grew by USD 3.02 billion, or 10.3%, reaching USD 32.54 billion, of which USD 843 million was due to the acquisition and merge of HSBC Lebanon branches in June 2017.

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.

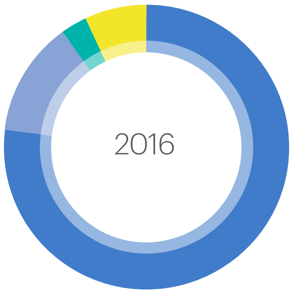
EVOLUTION OF TOTAL ASSETS (IN USD MILLION)



TOTAL ASSETS BY REGION



	%
Lebanon	81.4
MENA	9.5
Gulf	3.6
Europe	5.5

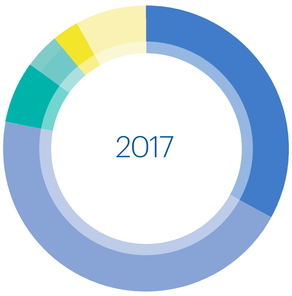


	%
Lebanon	81.3
MENA	9.1
Gulf	3.5
Europe	6.1

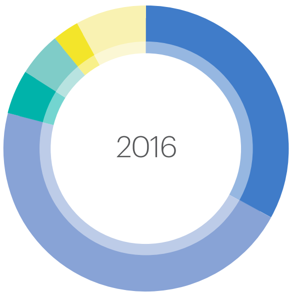
In terms of geographical allocation, BLOM BANK's overseas operations constitute 18.6% of consolidated assets with BLOM BANK France comprising the largest international market share of the Bank's assets.

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



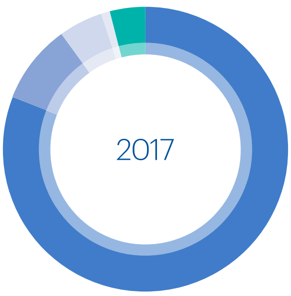
	%
LBP	31.8
USD	47.1
Euro	7.3
EGP	4.7
JOD	2.7
OTHER	6.4



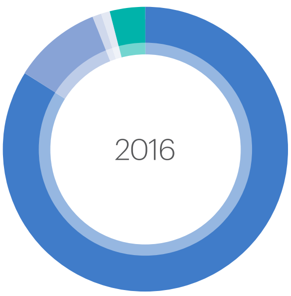
	%
LBP	33.6
USD	45.9
Euro	6.5
EGP	4.0
JOD	3.2
OTHER	6.8

Total assets by currency reveals that 47.1% are denominated in US Dollars followed by Lebanese Pounds at 31.8%. The overall share of assets denominated in foreign currencies stood at 68.2% as compared to 66.4% a year earlier.

4. SOURCES OF FUNDS



	%
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



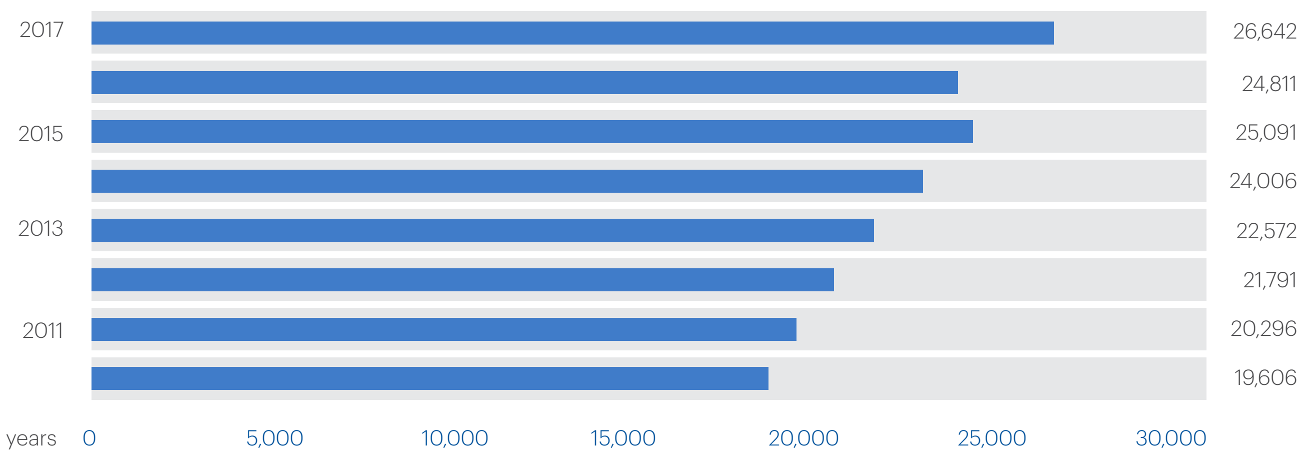
	%
Customers' Deposits	84.1
Total Capital Funds	9.9
Due to Central Banks	1.2
Deposits and Similar Accounts with Banks and Financial Institutions	1.3
Other Liabilities	3.5

BLOM BANK's main sources of funding include customers' deposits and total capital funds. Customers' deposits funded 81.9% of the Bank's total assets in 2017, while total capital funds constituted 9.2% of total funds during same period.

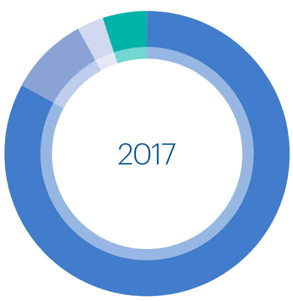
4.1 CUSTOMERS' DEPOSITS

The confidence of depositors who opted for a safe and trustworthy haven for their funds positively impacted BLOM BANK's deposits in 2017. Total customer deposits increased by USD 1.83 billion, or 7.4%, reaching USD 26.64 billion. In addition to the depositors' confidence, the acquisition of HSBC Lebanon branches in June 2017 also contributed to the increase in customer deposits, which accounted for around 2% from the total increase.

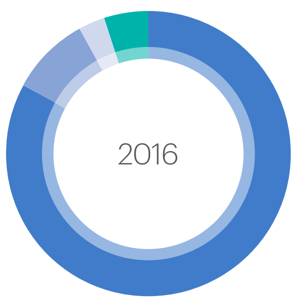
EVOLUTION OF CUSTOMERS' DEPOSITS (IN USD MILLION)



CUSTOMERS' DEPOSITS BY REGION



	%
Lebanon	82.1
MENA	9.7
Gulf	2.9
Europe	5.3

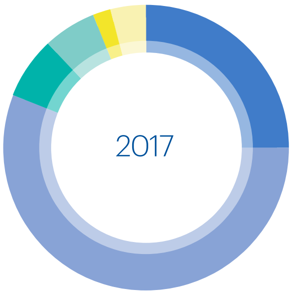


	%
Lebanon	83.0
MENA	9.0
Gulf	2.6
Europe	5.4

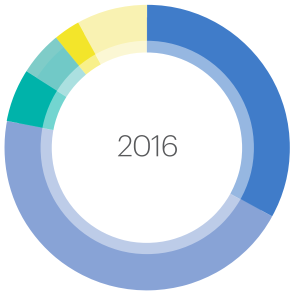
A concentration analysis of consolidated deposits by region reveals that Lebanon maintained the lead share with 82.1%, whereas regional and European countries' share was 17.9%.

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 13.95% in 2017.

CUSTOMERS' DEPOSITS BY CURRENCY



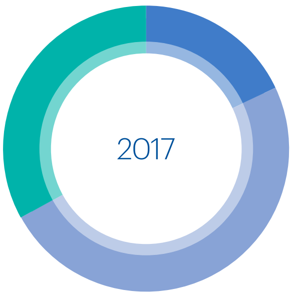
	%
LBP	25.3
USD	56.5
Euro	6.7
EGP	5.0
JOD	2.6
OTHER	3.9



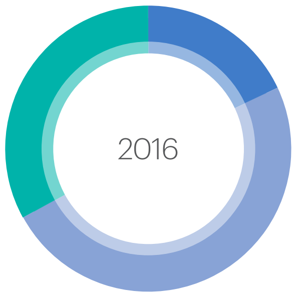
	%
LBP	30.2
USD	51.7
Euro	7.0
EGP	4.1
JOD	3.0
OTHER	4.0

With regards to foreign currencies' share of total deposit, they increased by 4.9% in 2017 to settle at 74.7%. Over the same period, the dollarization rate accounted for 56.5% of total customers' deposits.

CUSTOMERS' DEPOSITS BY TYPE OF CLIENT



	%
Corporate	16.7
Individuals	48.1
High Net Worth Individuals	35.2



	%
Corporate	15.7
Individuals	47.9
High Net Worth Individuals	36.4

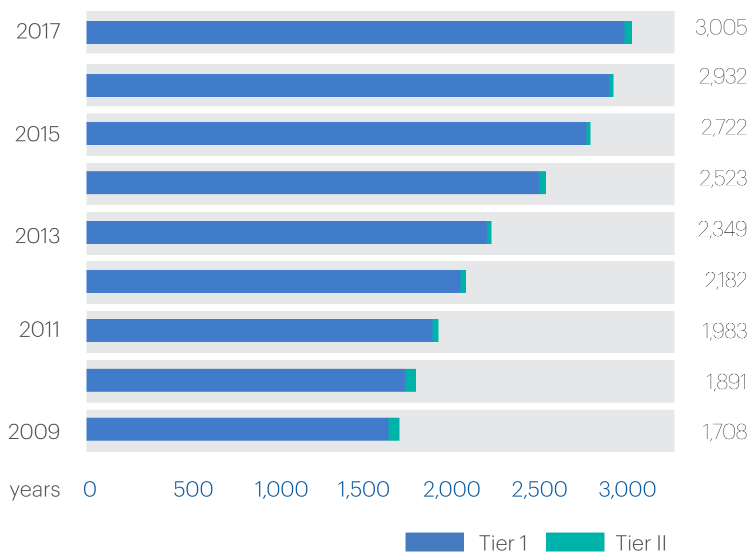
A concentration analysis of consolidated deposits by type of client reveals that "Individual" deposits' share decreased by 1.0% in 2017 to settle at 83.3% and "corporate" deposits' share increased by 1.0% to reach 16.7%.

4.2 CAPITALIZATION (TIER I & TIER II CAPITAL)

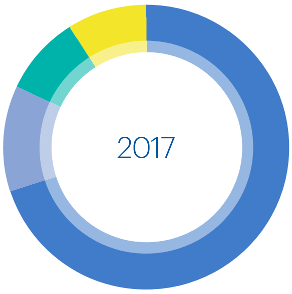
Total capital funds increased by 2.5% at year-end 2017 compared to 7.75% at year-end 2016. The decrease in growth from year to year was mainly due to the redemption of year 2011 preferred shares that amounted to USD 200 million.

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

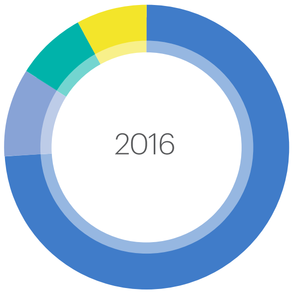
TIER I & TIER II CAPITAL (in USD Million)



CAPITAL FUNDS BY REGION



	%
Lebanon	70.5
MENA	11.5
Gulf	8.5
Europe	9.5



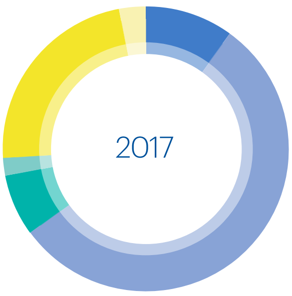
	%
Lebanon	73.8
MENA	9.3
Gulf	8.6
Europe	8.3

A concentration analysis of total capital funds by geographical distribution shows that Lebanon accounted for 70.5% at the end of 2017 (73.8% in 2016) and the remaining 29.5% were spread among countries in MENA, Gulf and Europe.

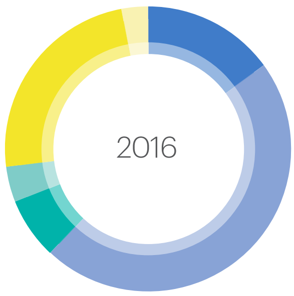
5. USES OF FUNDS

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 six years among the Alpha Group (Lebanese banks with deposits over USD 2 billion). The 2017 return on assets ratio recorded 1.56%.

Within the overall uses of funds, the share of Lebanese Treasury Bills as well as other governmental debt securities to total assets decreased to 10.1% in 2017, down from 14.7% in 2016. Whereas the share of cash and deposits at the Central Bank to total assets increased to 54.4% in 2017 from 46.7% in 2016. The Bank's placements with other banks and financial institutions slightly increased to 7.4% of total assets in 2017 compared to 7.3% in 2016. On the other hand, the share of bonds and financial instruments with fixed income decreased to 1.8% in 2017, from 4.0% in 2016.



	%
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



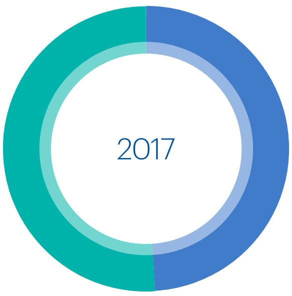
	%
Lebanese Treasury Bills and other Governmental Bonds	14.7
Cash and Central Banks	46.7
Banks and Financial Institutions	7.3
Bonds and Financial Instruments with Fixed Income	4.0
Loans and Advances to Customers	24.3
Others	3.0

5.1 INVESTMENT PORTFOLIO

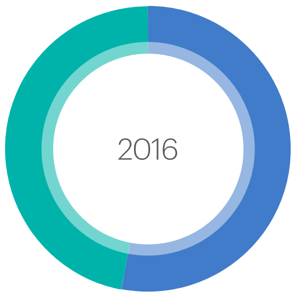
BLOM BANK's investment portfolio increased by USD 2,286 million, or 11.8%, during 2017 and is predominantly made up of Central Banks' exposure (81.1% of total portfolio), governmental debt securities (15.3% of total portfolio), bonds and financial instruments with fixed income (2.7% of total portfolio), funds and equity instruments (0.9% 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	2017	2016
Sovereign Exposure	**20,829**	**17,992**
Placements with Central Banks	16,162	11,780
Lebanese Treasury Bills and other Governmental Bonds	3,297	4,349
Central Banks' Certificates of Deposits	1,370	1,863
Corporate Securities	**788**	**1,339**
Bonds and Financial Instruments with fixed Income	583	1,180
Equity and Funds	205	159
Investment Portfolio	**21,617**	**19,331**

SOVEREIGN EXPOSURE BY FUNCTIONAL CURRENCY



	%
Functional Currencies	48.8
Other Currencies	51.2

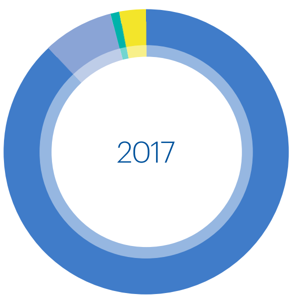


	%
Functional Currencies	53.5
Other Currencies	46.5

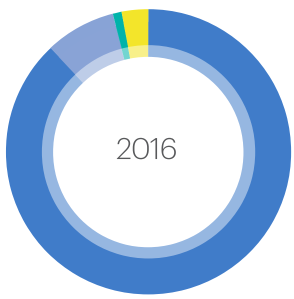
A currency analysis of the sovereign exposure (Government debt securities and Central Banks balances) reveals that 48.8% of total sovereign assets in year 2017 were denominated in the functional currencies of the countries that BLOM BANK Group is present in, and 51.2% of sovereign assets in year 2017 were denominated in other currencies.

The major functional currency remains the LBP that constitute 80.1% out of the functional currencies for year 2017, followed by 9.5% for EGP and 5.5% for CHF.

SOVEREIGN EXPOSURE BY ISSUING COUNTRY



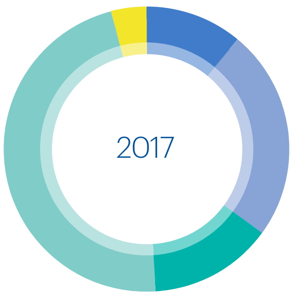
	%
Lebanon	88.7
MENA	7.4
Gulf	1.0
Europe	2.9



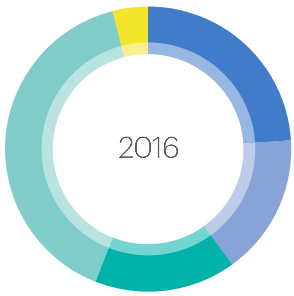
	%
Lebanon	88.7
MENA	7.5
Gulf	0.6
Europe	3.2

A concentration analysis of total sovereign exposure by issuing country reveals that 88.7% of the total sovereign assets at end of 2017 are concentrated in Lebanon followed by MENA at 7.4%, Europe at 2.9% and Gulf at 1.0%.

CORPORATE SECURITIES EXPOSURE BY ISSUING COUNTRY



	%
Lebanon	10.3
MENA	24.1
Gulf	14.2
Europe	46.6
Other	4.8



	%
Lebanon	23.5
MENA	16.4
Gulf	16.5
Europe	40.6
Other	3.0

A concentration analysis of corporate securities by issuing country reveals that 46.6% of BLOM BANK's corporate securities are issued by European countries followed by MENA countries at 24.1%, Gulf countries at 14.2%, Lebanon at 10.3% and other countries at 4.8%.

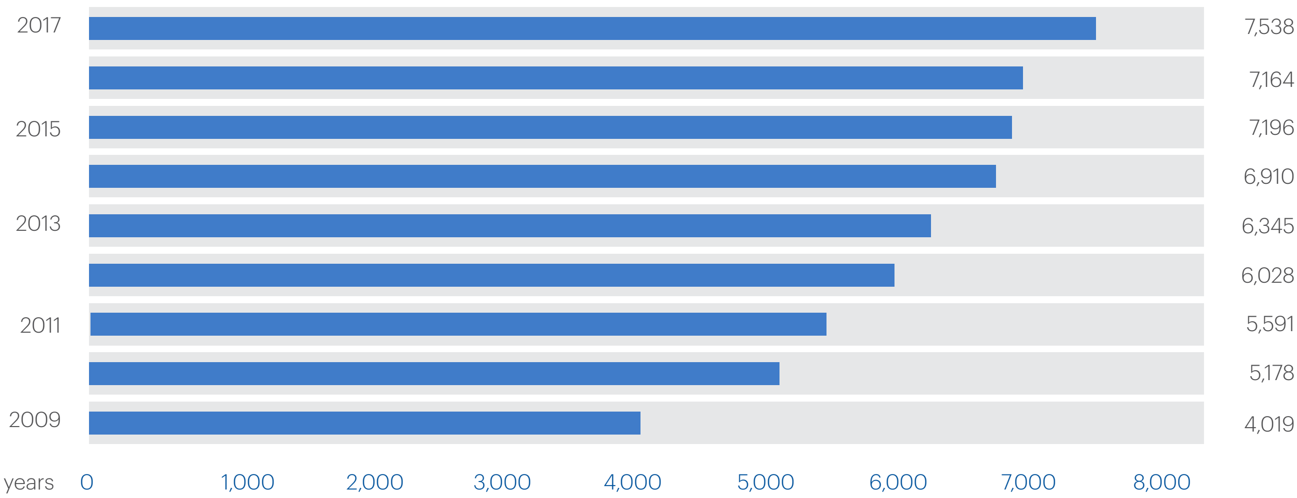
5.2 LOANS AND ADVANCES TO CUSTOMERS

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 28.3% in 2017 compared to 28.9% in 2016.

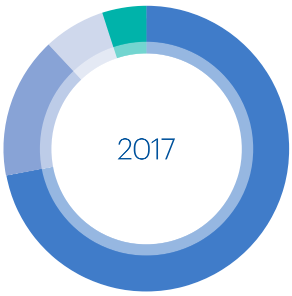
Despite this conservative strategy BLOM BANK's loan portfolio grew by USD 374 million, or 5.2%, to reach USD 7,538 million at year end 2017 fueled by the wide range of credit facilities and retail products available to clients, and by the new corporate and SME clients that moved along with the process of acquisition of HSBC Lebanon Branches.

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 11.33% in 2017.

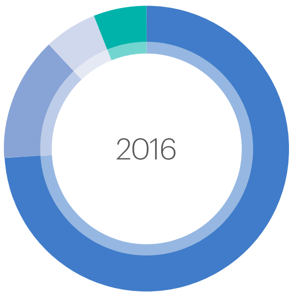
EVOLUTION OF LOANS AND ADVANCES TO CUSTOMERS (IN USD MILLION)



LOANS TO CUSTOMERS BY REGION



	%
Lebanon	72.1
MENA	15.6
Gulf	7.0
Europe	5.3



	%
Lebanon	73.7
MENA	13.8
Gulf	6.3
Europe	6.2

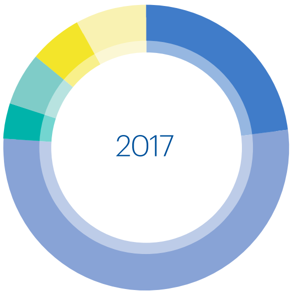
A concentration analysis of the loan portfolio by region reveals that Lebanon maintained the lead share with 72.1% at the end of 2017 (73.7% in 2016), while the remaining loan portfolio was spread among the group entities mainly in the MENA region which accounted for 15.6% at the end of 2017 up from 13.8% in 2016. Gulf region accounted for 7.0% (6.3% in 2016) and Europe held 5.3% of the loan portfolio.

BLOM BANK's commercial loan portfolio accounted for 57.5% of the total loan portfolio at the end of 2017 (59.5% in 2016) broken down into 37.5% corporate loans and 20.0% SME loans. Retail loans comprised the remaining 42.5% of total loan portfolio at the end of 2017 (40.5% in 2016).

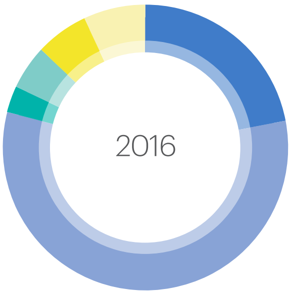
LOANS TO CUSTOMERS BY TYPE

	2017		2016	
USD Million	Balance	% from Total	Balance	% from Total
Corporate Loans	2,833	37.5%	2,849	39.8%
SME Loans	1,504	20.0%	1,411	19.7%
Retail Loans	3,201	42.5%	2,904	40.5%
Total Loans to Customers	**7,538**	**100.0%**	**7,164**	**100.0%**

LOANS TO CUSTOMERS BY CURRENCY



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

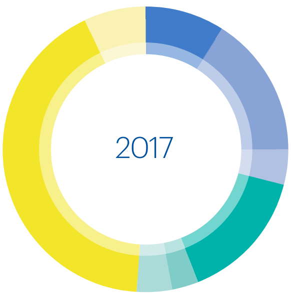


	%
LBP	21.9
USD	57.1
Euro	2.6
EGP	4.9
JOD	6.7
OTHER	6.8

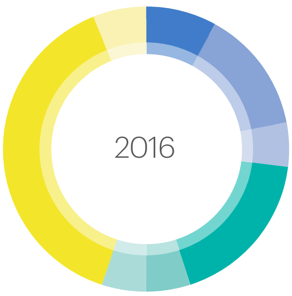
Currency analysis of the loan portfolio at year end 2017 reveals that US Dollars is the dominant currency with 53.0% share of total loans followed by Lebanese Pound at 22.7%.

The remaining currencies, mainly Egyptian Pound and Jordanian Dinar, constitute 13.0% of total loan portfolio.

GROSS LOANS TO CUSTOMERS BY ECONOMIC SECTOR



	%
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

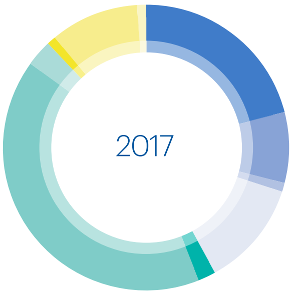


	%
Manufacturing	8.2
Trade	14.2
Construction (Developers)	4.9
Construction (Project Financing)	17.7
Financial Services and Brokerage	4.6
Hotels and Resturants	4.4
Consumer Loans	39.3
Others	6.7

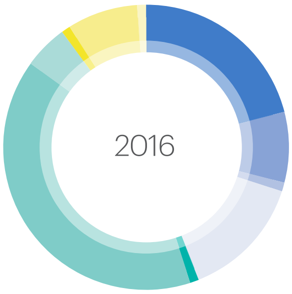
BLOM BANK seeks diversification in its loan portfolio through lending to different economic sectors.

The highest economic sector share is for consumer activities (41.6%), followed by Construction (18.4%), Trade (16.2%), and Manufacturing (8.7%).

GROSS LOANS TO CUSTOMERS BY TYPE OF COLLATERAL



	%
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



	%
Commercial Loans Secured by Mortgages	21.0
Advances Against Personal Guarantees	8.3
LC Financing	1.0
Advances Against Cash Collateral	14.7
Syndicated Loans	0.9
Retail Loans	39.3
Advances against securities	5.2
Advances against Bank Guarantees	0.4
Overdraft	8.9
Other	0.3

BLOM BANK's loan portfolio remains highly backed by multiple forms of collateral, where secured corporate lending accounted for 47.6% of the total loan portfolio, at the end of 2017 and secured retail loans against mortgage (mainly housing and car loans) represented 34.2% of total loan portfolio, whereas overdraft and other unsecured corporate loans accounted for 10.8%.

ASSET QUALITY BY REGION

USD Million	Lebanon	MENA	Gulf	Europe	Consolidated
			2017		
Monetary Provisions [1]	94	16	9	19	**138**
Collective Provisions	54	12	2	0	**68**
Gross NPL/Gross Loans	2.94%	2.08%	2.42%	9.38%	**3.13%**
Coverage Ratio by Monetary Provisions [2]	84.30%	79.19%	89.50%	83.46%	**83.91%**
Coverage Ratio by Monetary and Collective Provisions [2]	116.55%	127.27%	108.81%	83.59%	**111.77%**
Coverage Ratio by Monetary Provisions and Real Guarantees [2]	132.38%	133.23%	165.92%	97.11%	**128.42%**
			2016		
Monetary Provisions [1]	172	18	9	17	**216**
Collective Provisions	52	7	2	-	**61**
Gross NPL/Gross Loans	4.28%	2.66%	2.62%	7.92%	**4.19%**
Coverage Ratio by Monetary Provisions [2]	93.00%	79.15%	87.64%	79.03%	**89.94%**
Coverage Ratio by Monetary and Collective Provisions [2]	115.00%	103.89%	55.24%	79.42%	**109.38%**
Coverage Ratio by Monetary Provisions and Real Guarantees [2]	148.65%	118.01%	172.91%	91.32%	**140.10%**

(1) excluding unrealized interest on doubtful loans
(2) including unrealized interest on doubtful loans

Gross non-performing loans to gross loans ratio for BLOM BANK Group for the year 2017 dropped to 3.1% as compared to 4.2% a year earlier. The coverage ratio of non-performing loans by monetary provisions (excluding collective provisions) reached 83.9% in 2017, and 128.4% when accounting for real guarantees.

6. LIQUIDITY

Liquidity Ratios	2017	2016
Net Immediate Liquidity in Foreign Currency	67.39%	60.83%
Net Liquidity Ratio in LBP	122.47%	105.25%
Liquidity in Total Currency	81.39%	74.44%
Liquid Assets / Total Assets	67.30%	62.49%

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 2017, where overall liquidity recorded 67.3% compared to 62.5% in 2016.

As such, the Lebanese Pound liquidity ratio (including Lebanese governmental treasury bills) was 122.5% in 2017 as compared to 105.3% in 2016, reflecting high liquidity levels. Moreover, the immediate liquidity (cash & banks) in foreign currencies increased to 67.4% of foreign currency deposits in 2017, as compared to 60.8% in 2016.
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.

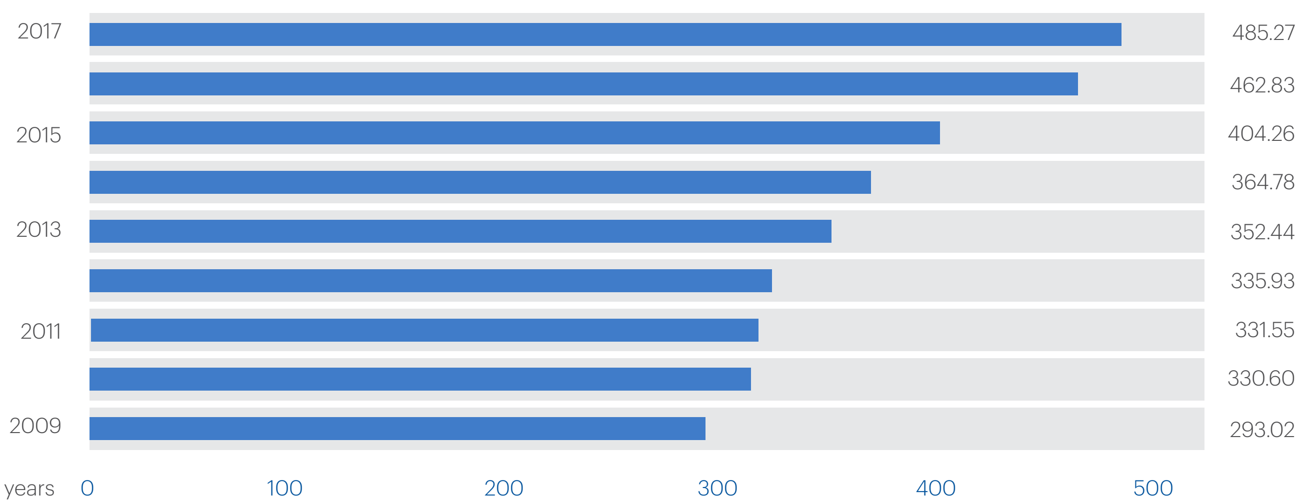
BLOM BANK was ranked first among Alpha Group in Net Primary Liquidity to Deposits ratio and Primary Liquidity to Assets ratio reaching 63.2% and 57.6% respectively. Placements with banks and financial institutions serve as the initial support of the Bank in terms of liquidity stress. Total placements with banks and financial institutions at year end 2017 amounted to USD 2.4 billion representing around 7.4% of total assets, more than 80% of placements with banks and financial institutions are placed in investment grade credit rating and above.

7. PERFORMANCE

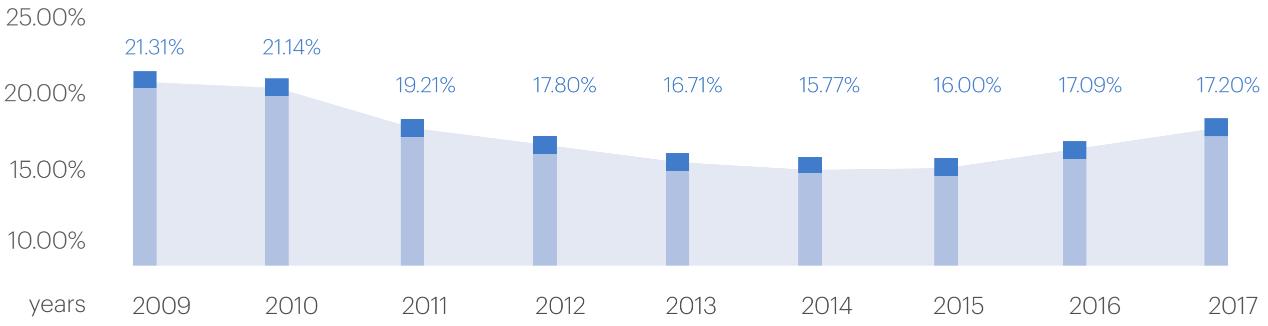
BLOM BANK preserved its position as one of the most profitable and the best performing bank in Lebanon for the year 2017 given its high quality core income, above average margins and high performance ratios. The Bank recorded net profit of USD 485.3 million, increasing by 4.8% compared to the year 2016 where net profits reached USD 462.8 million. BLOM BANK's Lebanese operations still constitute the lion's share with 86.3% 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 20.2% in the consolidated net profit of the Alpha Group (banks in Lebanon with deposits over USD 2 billion).

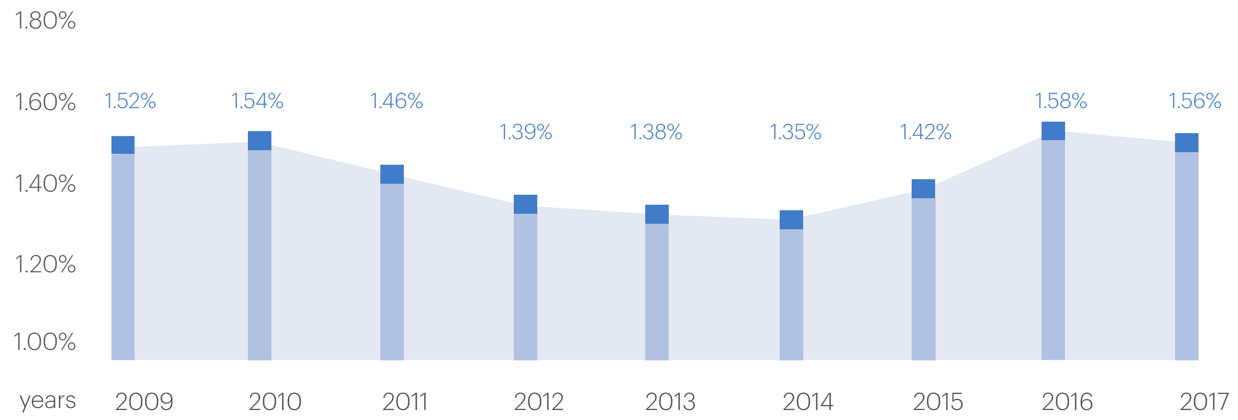
EVOLUTION OF NET INCOME (IN USD MILLION)



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 seventh 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 increased to 17.20% in 2017 up from 17.09% a year earlier, and ROAA reached 1.56% in 2017.

SUMMARY INCOME STATEMENT

USD Million	2017	2016	Balance change	% Change
Net Interest Income	737.6	690.6	47.0	6.8%
Non-Interest Income	287.7	623.6	(335.9)	-53.9%
Total Operating Income	**1,025.3**	**1,314.2**	**(288.9)**	**-22.0%**
Net Credit Losses	**(12.7)**	**(105.2)**	**92.5**	-87.9%
Credit Loss Expenses	(36.2)	(107.6)	71.4	-66.4%
Provisions for Impairment Losses on other Financial Investments	0.0	(23.1)	23.1	-100.0%
Releases	23.5	25.5	(2.0)	-7.8%
Net Operating Income	**1,012.6**	**1,209.0**	**(196.4)**	**-16.2%**
Operating Expenses	(408.0)	(363.9)	(44.1)	12.1%
Net Operating Profit	**604.6**	**845.1**	**(240.5)**	**-28.5%**
Provisions for Risks and Charges	0.0	(173.0)	173.0	-
Foreign currency translation losses on deconsolidation of subsidiaries	0.0	(48.9)	48.9	-
Net Profit Before Taxes	**604.6**	**623.2**	**(18.6)**	**-3.0%**
Income Tax Expense	(119.3)	(160.4)	41.1	-25.6%
Net Profit	**485.3**	**462.8**	**22.50**	**4.8%**

7.1 NET INTEREST INCOME

Net interest income registered an increase of USD 47.0 million, or 6.8%, to reach USD 737.6 million in 2017. The growth came as a result of an increase in interest and similar income by USD 153.1 million, or 9.0%, to reach USD 1,846.5 million in 2017, while interest and similar charges increased by USD 106.0 million, or 10.6%, to reach USD 1,108.8 million in 2017.

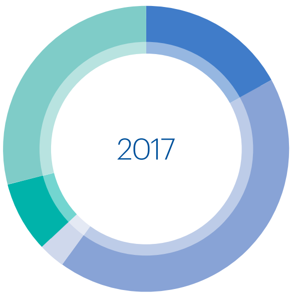
7.1.1 Interest and Similar Income

The 9.0% increase in interest and similar income is attributed to the diversification of interest income generating instruments where the Bank opted to make better use of resources by transferring into relatively safer and better yielding placements with the Central Bank of Lebanon, fixed income securities and by extending loans and advances to customers.

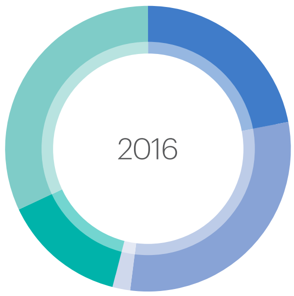
The breakdown of interest and similar Income reveals an increase in the share of Due from Central Banks to 42.6% in 2017 compared to 30.2% in 2016.

The portion generated from Lebanese treasury bills and other governmental bills has decreased to 17.2% in 2017 down from 22.4% in 2016. Interest Income from loans to customers has also witnessed a decrease to 29.3% in 2017 as compared to 31.4% in 2016.

The contribution of bonds and other financial instruments with fixed income decreased to 8.2% in 2017 as compared to 14.0% a year earlier.

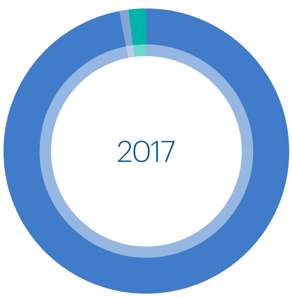


	%
Lebanese Treasury Bills and other Governmental Bills	17.2
Due from Central Banks	42.6
Deposits and Similar Accounts with Banks and Financial Institutions	2.7
Bonds and Other Financial Instruments with Fixed Income	8.2
Loans and Advances to Customers	29.3

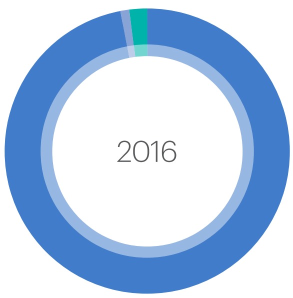


	%
Lebanese Treasury Bills and other Governmental Bills	22.4
Due from Central Banks	30.2
Deposits and Similar Accounts with Banks and Financial Institutions	2.0
Bonds and Other Financial Instruments with Fixed Income	14.0
Loans and Advances to Customers	31.4

7.1.2 Interest and Similar Charges



	%
Customers' Deposits	97.5
Due to Central Banks	0.8
Deposits and similar Accounts from Banks and Financial Institutions	1.7



	%
Customers' Deposits	98.7
Due to Central Banks	0.4
Deposits and similar Accounts from Banks and Financial Institutions	0.9

Interest and similar charges increased by USD 106.0 million, or 10.6%, to reach USD 1,108.8 million in 2017 as compared to USD 1,002.8 million in 2016.

7.1.3 Average Balance Sheet and Interest Rates

An analysis of average interest earning assets shows that governmental debt securities accounted for 14.6% of total average interest earning assets in 2017 decreasing from 18.8% in 2016, and Due from Central Banks increased to 43.9% in 2017 as compared to 33.4% in 2016. The average deposits with banks decreased to 5.2% in 2017 as compared to 6.1% in 2016.

The share of bonds and other financial instruments with fixed income accounted for 9.4% compared to 13.8% a year earlier and the average loans and advances to customers contributed to 26.8% of total average interest earning asset in 2017.

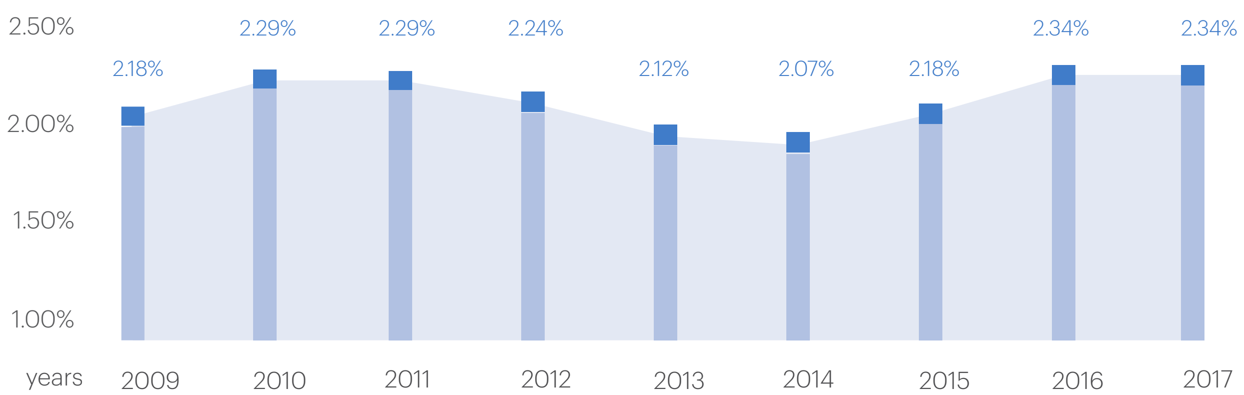
On the other hand, an analysis of average interest bearing liabilities reveals that average interest bearing liabilities went up by USD 1,153.0 million, or 4.6% to reach USD 26,288 million compared to USD 25,135 million a year earlier.

Deposits from customers including related parties accounted for the largest share of the average interest bearing liabilities, which decreased to 96.9% in 2017 and Due to Central Banks increased to 2.3% in 2017 as compared to 1.3% a year earlier, as for deposits from banks and financial institutions represented the remaining 0.8%.

	2017			2016		
USD Million	Average Balance	Interest Earned - (Paid)	Average Rate	Average Balance	Interest Earned - (Paid)	Average Rate
Governmental Debt securities	4,025	319.6	7.94%	4,891	384.1	7.85%
Due from Central Bank	12,085	786.9	6.51%	8,684	511.2	5.89%
Deposits and Similar Accounts with Banks and Financial Institutions	1,435	50.4	3.51%	1,594	33.6	2.11%
Bonds and other Financial Assets with Fixed Income	2,594	151.8	5.85%	3,599	239.1	6.64%
Loans and Advances to Customers	7,385	541.4	7.33%	7,240	531.7	7.34%
Total	**27,524**	**1,850.1***	**6.72%**	**26,008**	**1,699.7****	**6.54%**
Customers' Deposits	25,479	(1,081.3)	4.24%	24,662	(989.8)	4.01%
Due to Central Banks	604	(9.0)	1.49%	319	(3.5)	1.10%
Deposits & similar accounts with Banks and Financial Institutions	205	(18.5)	9.02%	154	(9.5)	6.16%
Total	**26,288**	**(1,108.8)**	**4.22%**	**25,135**	**(1,002.8)**	**3.99%**
Interest Spread			**2.50%**			**2.55%**
Net Interest Margin			**2.34%**			**2.34%**

** Including USD 3.8 million net interest income from financial assets and liabilities at FVTPL*
*** Including USD 6.4 million net interest income from financial assets and liabilities at FVTPL*

NET INTEREST MARGIN

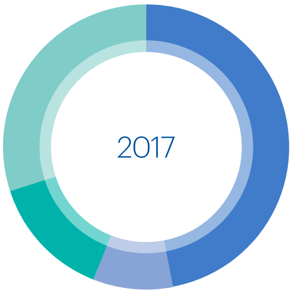


Net interest margin was maintained at 2.34% in 2017.

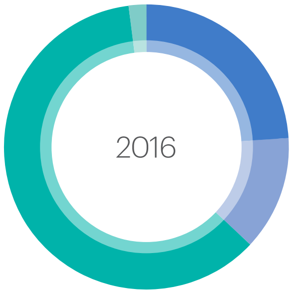
7.2 NON INTEREST INCOME

Non-interest income amounting to USD 287.7 million in 2017 comprised USD 136.5 million of commissions, USD 65.6 million of trading income and a USD 85.6 million of other operating income.

CONSTITUENTS OF NON-INTEREST INCOME



	%
Net Commissions	47.4
Net Gain/(Loss) from Financial instruments at Fair Value through Profit or Loss	8.8
Net Gain/Loss from Financial Operations	14.0
Other Operating Income	29.8



	%
Net Commissions	24.1
Net Gain/(Loss) from Financial instruments at Fair Value through Profit or Loss	12.5
Net Gain/Loss from Financial Operations	61.3
Other Operating Income	2.1

Non interest income showed a decrease of 53.9%, were net commissions decreased by 9.2%, and constituted 47.4% of non-interest income. The remaining 52.6% of non- interest income was mainly attributable to net gain/(loss) from financial instruments (22.8%).

7.3 OPERATING EXPENSES

Operating expenses reached USD 408.0 million in 2017, compared to USD 363.9 million in 2016. Staff expenses (salaries and related charges) increased by USD 3.7 million, or 1.8%, to reach USD 210.7 million in 2017 while operating expenses increased by USD 42.0 million or, 32.2%, to reach USD 172.5 million. Thus, staff expenses accounted for the largest share of operating expenses with 51.6% while operating expenses share stood at 42.3%.

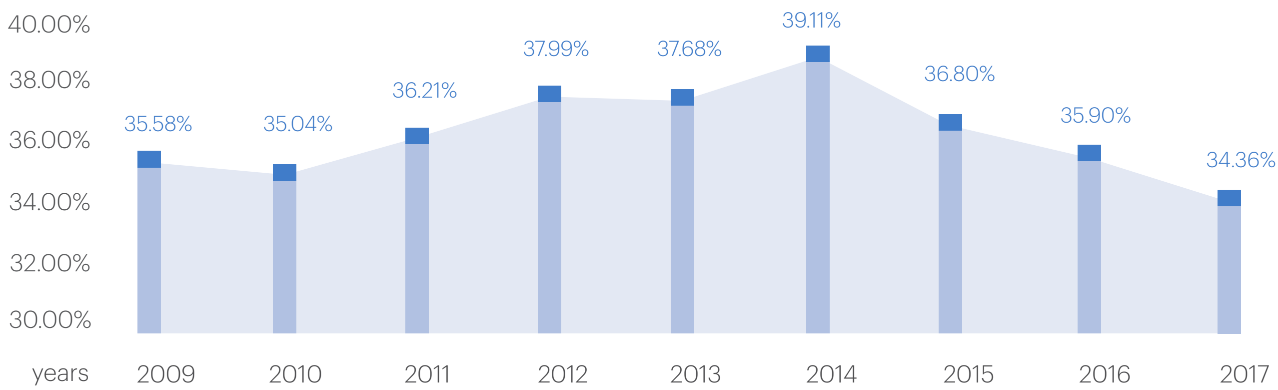
That said, BLOM BANK is still maintaining a relatively low cost-to-income ratio, reflecting the Bank's efficient cost-containment policy and income generating capacity. The cost-to-income ratio decreased to 34.36% in 2017 compared to 35.90% in 2016.

USD Million	2017	2016
Staff Expenses	210.7	207.0
Operating Expenses	172.5	130.5
Depreciation and Amortization	24.8	26.4
Total	**408.0**	**363.9**

	2017	2016
Number of Employees*	5,085	4,673
Staff Expenses per employee (USD)	41,436	44,297
Operating expenses per employee (USD)	33,923	27,926

** For more details refer to 13.1*

COST TO INCOME RATIO



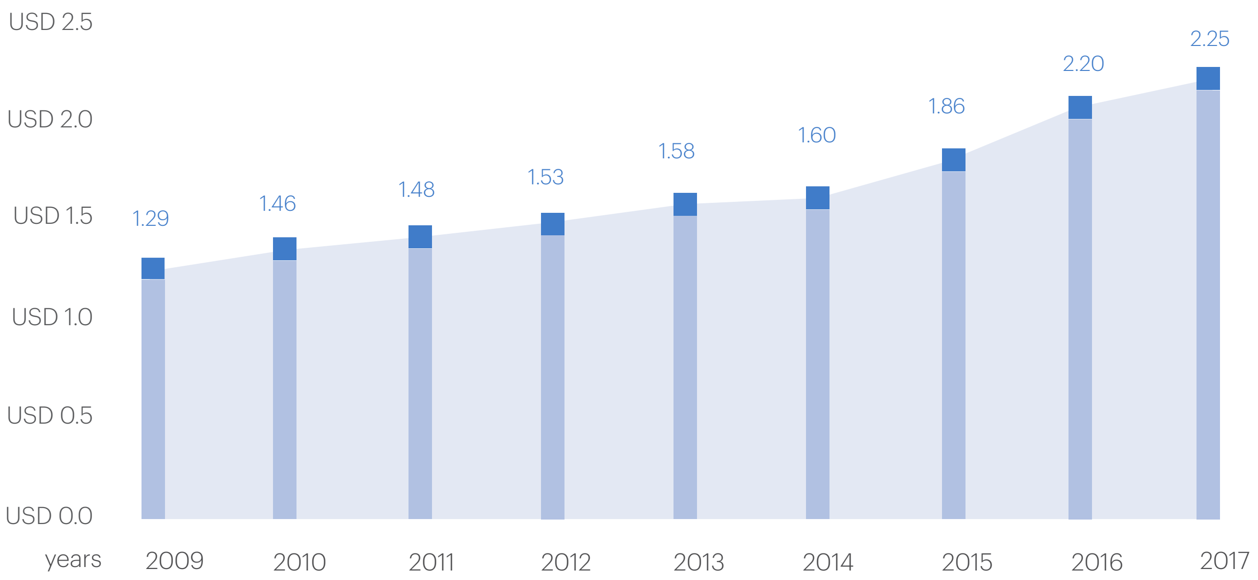
Yielding effective
social change to
give you a more thriving
community.

Are you ready?

8. DIVIDEND DISTRIBUTION AND PREFERRED SHARES REVENUE

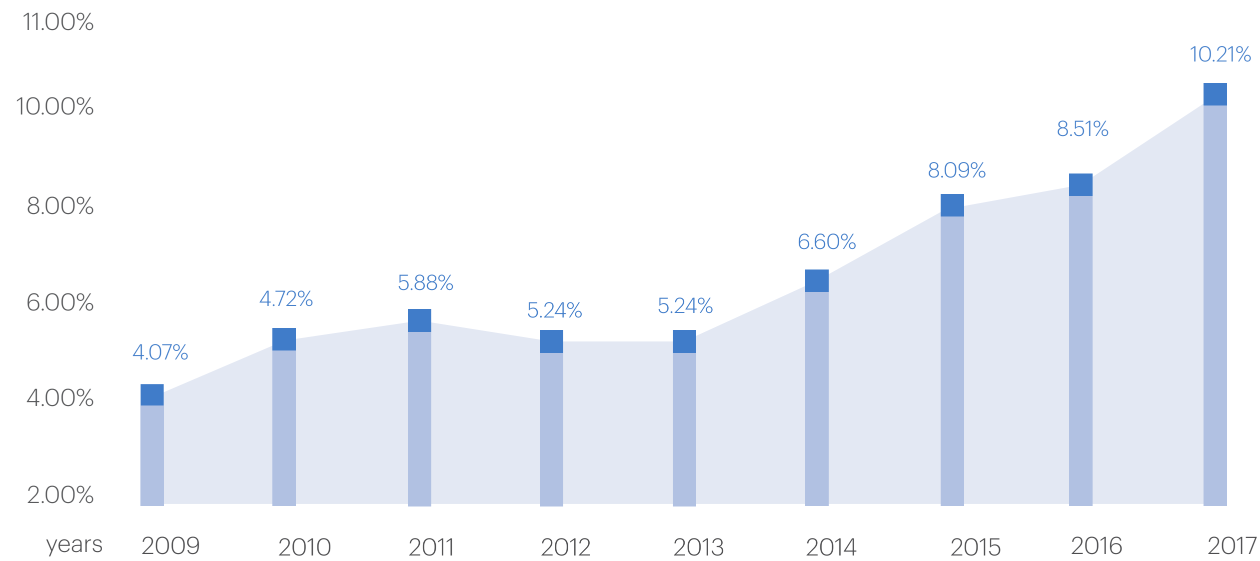
During BLOM BANK's Annual General Assembly, on April 11 2018, the distribution of dividends for the year 2017 was approved. Holders of common stocks and Global Depositary Receipts (GDR) received the equivalent of LL 1,700 per share. All distributed dividends were subject to a 10% tax.

EARNINGS PER SHARE



Earnings per share kept its steady increase to reach its highest at USD 2.25 per share in 2017.

DIVIDEND YIELD



Given the higher dividend per share paid to BLOM BANK's shareholders and the attractive price at which BLOM BANK's share was traded at end of 2017, dividend yield reached 10.2% in 2017, 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.

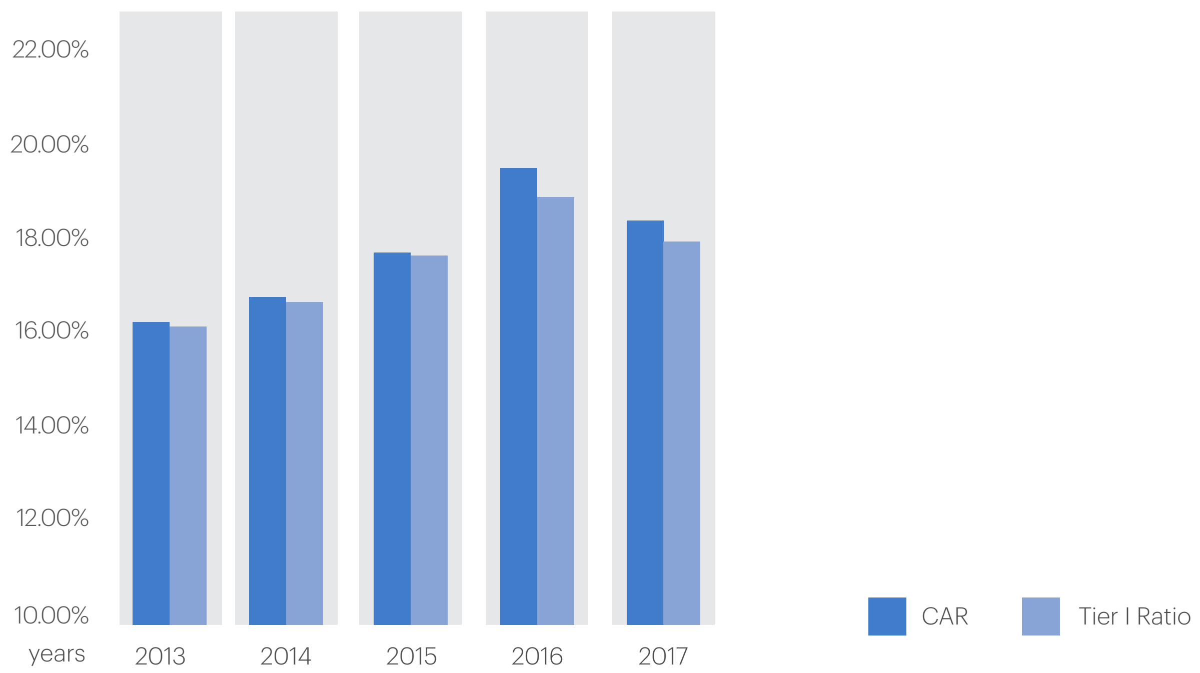
Furthermore, Group Risk Management has implemented a Risk Management Structure within the Group whereby the Bank's subsidiaries have their own Risk Managers that report to the Group Chief Risk Officer. Currently, there are eight country Risk Managers.

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 18.14% by the end of 2017 against 19.85% in 2016.

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 2017:

Ratio	BLOM Ratio (as at end of 2017)	BCCL Minimum Limit (by end of 2017)	Basel III Minimum Limit (including capital conservation buffer of 2.5%) (by end of 2019)
Net Common Equity Tier 1 / Total Risk Weighted Assets	17.72%	9%	7%
Tier 1 / Total Risk Weighted Assets	17.73%	12%	8.5%
Total Capital Funds / Total Risk Weighted Assets	18.14%	14.5%	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	2017	2016	2015
Net Common Equity Tier 1 / Total Risk Weighted Assets	17.72%	17.52%	16.07%
Tier 1 / Total Risk Weighted Assets	17.73%	18.97%	17.54%
Total Capital Funds / Total Risk Weighted Assets	18.14%	19.85%	17.64%

As at end of December 2017, 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	19,059,611	84.19%
Market Risk	1,102,302	4.87%
Operational Risk	2,475,921	10.94%
Total	**22,637,834**	**100%**

BLOM BANK's capital funds at the end of December 2017 as per Basel III are broken down as follows:

LL Million	2017	2016
Common Equity Tier I Capital	4,112,401	3,727,815
Common Equity Tier I Capital Deductions	(101,884)	(75,286)
Net Common Equity Tier I Capital	4,010,517	3,652,529
Additional Tier I Capital	2,908	303,536
Tier I Capital	**4,013,425**	**3,956,065**
Tier II Capital	**94,071**	**182,578**
Total Capital Funds	**4,107,496**	**4,138,643**

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.

9.3 CREDIT RISK MANAGEMENT

The major component of Credit Risk Weighted Assets is Central Bank placements and Certificates of Deposits which represents 40.95% of total Credit RWAs. Corporate and SME represent 20.3% of total Credit RWAs while commercial real estate share is 7.53%. The Retail portfolio including housing loans reached 13.01% of Credit RWAs.
The Bank holds government paper in its Lebanese, Egyptian and Jordanian operations. Government paper comprises 2.79% of total Credit RWAs knowing that these securities are mainly in local currency.

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 for certain segments to adequately score each application and consequently decide on the approval of such application. Retail Behavioral scorecards are being developed in order to be implemented.

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 (including substandard Loans) of 4.34% and Net NPL Ratio (including substandard Loans) of 1.51% as at end of year 2017. The total provisions for end of year 2017 is USD 294.37 million, of which USD 137.79 million are Specific Provisions and USD 68.25 million is Collective Provisions.

In 2017, the increase of 7.93% in Credit RWAs is mainly due to HSBC acquisition. BLOM BANK France still constitutes the Bank's largest entity after Lebanon. BLOM BANK France saw its shares reach 10.58% in 2017 compared to 11.21% in 2016.

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

LL Million	2017	2016	2015
Credit RWAs	19,059,611	17,658,520	17,629,012
Total RWAs	22,637,834	20,853,199	20,910,904
Percentage (%)	84.19%	84.68%	84.31%

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 BLOM 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 2017 are broken down as follows:

Market Risk Type LL Million	Risk Weighted Assets	Capital Requirements
Interest Rate Risk	69,628	5,570
Equity Risk	467,941	37,435
Foreign Exchange Risk	564,733	45,179
Total	**1,102,302**	**88,184**

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

LL Million	2017	2016	2015
Market RWAs	1,102,302	832,533	1,087,579
Total RWAs	22,637,834	20,853,199	20,910,904
Percentage (%)	4.87%	3.99%	5.20%

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	2017	2016	2015
Operational RWAs	2,475,921	2,362,146	2,194,313
Total RWAs	22,637,834	20,853,199	20,910,904
Percentage (%)	10.94%	11.33%	10.49%

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 28.3% at end of December 2017 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 29.87% of 2017 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 modelling 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 profile 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 percentage of performing loans becoming non- performing; for market risk, decline in equity market; for operational risk, occurrence of natural disasters, acts of war and/or terrorism; 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 has 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 51% to total required capital under the internal assessment methods adopted by the Bank for the year-end 2017.

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 2017 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 2017. 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 2017 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.

In order to deepen the Board members' understanding of sound governance principles and create a heightened awareness of the governance responsibilities of the Board of Directors, Board members attended in 2016 and 2017 trainings on "Board Level Corporate Governance in Banks". The trainings covered several areas and topics such as role of the Board, risk management oversight, corporate strategy oversight, remuneration committee, audit committee.

The Board of Directors exercises its oversight function to a large degree through five 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 and the Board Compliance Committee. The Charters of the five 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 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 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.

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 2017, the independent Board members held a meeting and elected among themselves a director to serve as "Lead Director" for one year. 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 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. In 2017, the Remuneration Policy of the Bank was updated, approved by the Board of Directors and 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. In 2017, the Policy was amended and the main changes were the introduction of 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.

In order to implement the policy relating to the Principles of Banking Operations with Customers as stated in the BDL basic circular 134 and the BCC circular 281, the Bank established a new Department that was approved by the Board of Directors in June 2015: The Group Customers Advocacy Department. The Department performs mainly the following tasks:

- Contribute to the development of customers' awareness and education programs.
- Receive claims from customers, to examine them and give an opinion in this regard.
- Inform the customer about the outcome of the claim.
- Submit directly to the Senior Management periodic reports, at least quarterly, about customers' claims, the nature, handling, and outcome of these claims, and the measures proposed to improve the "Customer Obligations & Rights" (COR) document. The Senior Management must be promptly notified of any major critical claim that might expose the Bank to high reputational risks or significant financial losses; and a copy of these claims must be sent to the Board of Directors.
- Take prior cognizance of the ads, brochures, contract samples, account statements and other documents provided to customers; to review them and submit the necessary suggestions that guarantee their clarity, transparency and consistency with the provisions of the BDL circular 134 and the relevant regulatory and implementation texts issued by the Central Bank of Lebanon and the Banking Control Commission.

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

BLOM BANK through its investment banking arm, BLOMINVEST BANK, is one of few institutions within the greater Levant region that offer Private banking, Investment banking, Structured Products, Brokerage, and Research services under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment bank.

Private Banking Services

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

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.

Our Real Estate unit offers extensive experience in sponsoring, structuring and carefully managing selected real estate projects spanning across retail, commercial and residential markets and across BLOM BANK Group's presence abroad.

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.

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

2017 was an exceptional year to BLOM BANK due to the acquisition of HSBC assets and liabilities. This acquisition was a challenge to BLOM BANK management and staff since it is the first time the Bank makes such an acquisition. The smooth transition of the transaction and the acquisition process was a success story for the Bank. BLOM BANK was able to enhance its expansion policy and strengthen its position in the market. In addition, BLOM BANK continued to open new branches in Lebanon in areas with high potential of growth and profitability, yet maintaining high efficiency in the several divisions of the Bank and securing a high level of supervision and control.

In this regard and despite the conservative approach towards extending credit to the real estate and related sectors, yet the Bank's portfolio continued its stable growth at both the corporate and the SME level, benefiting from the good relationship with the new corporate and SME clients that moved along with the acquisition process, and the availability of high liquidity and wide range of credit products tailored to satisfy customer needs.

Subsidized and Soft Loans

BLOM BANK continued to take advantage of the several incentive schemes offered by BDL to enhance different activities pertaining to all sectors of the economy. Of mentioned schemes, financing was contributed to environmental-friendly and energy- related operations as well as to supporting start-up businesses at favorable terms, thus adding to the Bank's contribution in corporate social responsibility.

Arab Trade Finance Program (ATFP)

Year 2017 witnessed a boost in the line offered by ATFP to BLOM BANK's clients as a result of the Bank's enhancement of such facilities in 2013 in light of its strong network of branches and favorable relationship with major traders that export goods to Arab countries. The line of facilities granted under ATFP was increased as a result of high demand and was channeled to a larger number of corporate clients at favorable terms.

SME Relationship Department

The SME Relationship Department maintained its remarkable increase in the Bank's market share in this field of financing taking advantage of the Bank's wide geographic presence and branch networks.

Corporate Financing and Syndicated Loans

BLOM BANK's Corporate Department was expanded considerably in 2017 due to the acquisition of HSBC operations and specifically the corporate transactions. The ex -HSBC corporate and trade relationship officers continued to provide the same financing to their clients, yet with a better service benefiting from the wide branch network that BLOM BANK has. As a result, we were able to enhance remarkably our trade financing and to extend our presence to all sectors of the economy especially in the FMCG sector. At the same time, BLOM BANK targeted new corporate clients with sophisticated financing tools mainly in the fields of manufacturing, trade, project financing, while focusing less on real estate development projects in Lebanon and abroad.

Islamic Financing

BLOM BANK maintained its expansion policy in the Islamic banking market in Lebanon through the network of 7 BLOM Development Bank branches by offering preferential Islamic products and services compliant with Islamic Shariaa.

Overseas Financing

During 2017 BLOM Bank maintained its presence in the overseas market despite the continuing challenging conditions prevailing in the MENA region, whilst preserving its effective control and supervision in all markets. Moreover, banking activities in Egypt maintained its growth and, therefore, contributed remarkably to the Banks' credit portfolio benefiting from the political stability in the country.

In conclusion, BLOM Group succeeded in the acquisition of HSBC operations in Lebanon to enlarge its loan portfolio and to enhance its local and worldwide operations even with the increasing level of uncertainties and challenging conditions prevailing in the MENA region. This was mainly due to its sound lending and control policies, and high efficiency.

11.3 RETAIL BANKING

11.3.1 PRODUCTS AND SERVICES

In 2017, BLOM BANK has acquired HSBC BANK Middle East Limited – Lebanon, launched BLOMPay, a new electronic payment service that is the first of its kind in Lebanon, and collaborated with the General Directorate of General Security to install advanced POS machines

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 BANK cards range from **Electronic, Classic, Gold, Titanium, Platinum, Signature, Infinite, and Corporate (Business Platinum, Platinum Corporate,**

and Classic Corporate cards).
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 year 2017, BLOM BANK also launched BLOMPay, a new electronic payment service first of its kind in Lebanon, which allows the cardholder of any BLOM VISA card, whether debit or credit to make payments via an android mobile phone through an additional feature on eBLOM mobile application. Once activated, the BLOM cardholder will be able to use his mobile phone directly to pay without the need to swipe or insert his card. It can be used on any POS machine that accepts contactless payments, and for any type of payment including transactions at supermarkets, petrol stations, travel agencies, retail shops, restaurants, hotels and many more.

Additionally, BLOM BANK collaborated with the General Directorate of General Security, to introduce a new service whereby all the 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. The launch of this service came in line with promoting administrative development and providing a better service for the citizens.

In addition to the above, BLOM BANK customers can also 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 while benefiting from a wide range of premium benefits.

At the end of 2016, BLOM BANK launched the **NEXT program** which is specifically designed for the youth between 12 and 25 years. The program offers advantageous features through a dedicated mobile app **'NEXT'**. Individuals that are enrolled to NEXT will get a prepaid card to pay for any purchase locally or internationally and online. NEXT program provides a variety of possibilities sure to suit the needs of the youth; including various discounts for NEXT cardholders at their favorite restaurants and shops.

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 (LMAC), 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, spreading awareness in the minefields' surroundings and caring for those who are injured due to mines. 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. In April 2016, BLOM BANK has announced the launch of the **"Be a hero and remove a mine"** campaign from the high mountains of Hadath El Jebbeh. It is noteworthy that this is BLOM BANK's fourth initiative following the demining of Houla and Souk El Gharb, as well as the continuous cleaning action at Tanourine, to contribute once again to spreading peace of mind all over the said region.

BLOM BANK also offers **BLOM Shabeb credit cards**, free for students of predetermined universities. The BLOM Shabeb Program (www.blomshabeb.com) is a comprehensive platform launched in 2010 that helps the Lebanese young generation plan their education and facilitate their career choice to ensure a successful future.

Launched in 2013 in partnership with the Beirut Traders Association (BTA), The **Beirut Traders Shopping 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.

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. The card was chosen as a finalist in the EFMA-Accenture 'Distribution & Marketing Innovation Awards 2015' under the category of 'Best Innovation in Payment'.

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.

Moreover, BLOM BANK has previously partnered with Fitness Zone, the leading fitness centers in Lebanon, to introduce **Fitness Zone Visa card** which is available in two types: Fitness Zone Visa Platinum & Fitness Zone Visa Prepaid 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.
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. The card is loaded with unsurpassed exclusive benefits and discounts. 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.

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.

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.

POS Machines

To further expand the scope and reach of the American Express brand, BLOM BANK now accepts American Express cards across its large network of point-of-sale payment terminals in Lebanon.

BLOM BANK's Point of Sale (POS) machines accept payment cards under the brands of AMEX, Visa, Visa Electron, MasterCard, MasterCard Electronic, Maestro, and JCB. The machines are equipped with the latest **EMV technology** to allow acceptance of chip cards that provide ultimate security to both the cardholder and the merchant. BLOM BANK's POS machines are also **NFC-enabled** for contactless cards and mobile device payments. All BLOM BANK's POS machines accept more than 72 currencies.

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. BLOM BANK also dedicates an account manager to handle all inquiries and suggestions concerning POS issues. In addition, BLOM BANK puts at its merchants' disposal a 24 hour call center which is tailored to cater for all needs and to provide all the needed support.

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). Cardholders can instantly pay for their airline tickets or chosen gift via their accumulated miles and points. Merchants in Lebanon wishing to install BLOM POS machines have a choice between:

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 BLOM BANK. BLOM BANK's GPRS machines are portable, allowing merchants to move them anywhere they desire.

eCommerce 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.).

In 2016, BLOM BANK partnered with Alfa to launch a first of its kind automatic easy and secure method for **Alfa postpaid lines** to settle their monthly bills. This new service allows any Alfa postpaid customer to settle his monthly bill via Alfa's website without any additional fee. For the first time in Lebanon, Alfa's customers can also activate the 'automatic payment' service, which will allow them to automatically process the bill on a monthly basis without the need to log in to the website and perform the payment or even visit Alfa's premises at the end of every month. The "automatic payment" service is performed through a highly secure tokenization process. Tokenization allows the system to generate and use a "token" that will save the card details in a secure manner, instead of using the card number and other sensitive data found on the card.

Reward Programs

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.

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'.

A Shift towards Digital

After the success of introducing a groundbreaking service that allowed cardholders to redeem their miles and points instantly via the merchant's POS machine, BLOM BANK has shifted its strategy towards the digital direction, and replaced the printed catalogue by developing a dedicated mobile application and website. BLOM BANK has enhanced the Golden Points website and app whereby BLOM BANK clients can now check the exclusive offers and discounts that they can benefit from when using their BLOM BANK cards and at selected merchants. All offers are available on www. blomgoldenpoints.com, and the BLOM Golden Points/Miles app.

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.

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; to 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.

SME Loans

Small and medium enterprises or even self-employed or business owners can benefit from a variety of loans tailored for their needs:

Small Business Loan for SMEs (ESFD)

Includes a special program offered in coordination with the European Social Fund for Development. This loan is granted to 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.

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.

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 BLOMINVEST BANK, offers a collection of Mutual Funds.

Special Accounts

BLOM BANK offers a number of special accounts, catered for special needs. In addition to "Maksabi", and the traditional savings and current accounts, below are other special accounts from BLOM BANK:

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 LL 75,000 per month.

Salary Domiciliation accounts
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.

Customer Service

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 ATM Pro 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.

Call Center
BLOM BANK customers can enjoy the convenience of a 24-hour call center, ready to cater for all their needs and inquiries. The Retail Department also has a telemarketing team to make outbound informative calls to existing clients.

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.

Social Media Platforms
BLOM BANK 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 419,000 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 5,925 followers on twitter. BLOM BANK also has a YouTube channel that features BLOM BANK's TVC's and TV releases.

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.

Mobile Applications

NEXT by BLOM BANK
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 call center agents and get instant answers for all inquiries 24/7.

eBLOM Mobile Banking Application

eBLOM mobile application is available for both iOS and Android devices. Clients were previously able to do their online banking on their mobile phones through the mobile version of eBLOM (www.blombank.mobi); however, the development of the new mobile application allowed clients to get access to their accounts and cards in an easier and more convenient manner.

Golden Points/Miles and BLOM BTA Mobile Applications

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. The second application is the BLOM BTA mobile application, which is exclusively for clients that hold the Beirut Traders Shopping card. The BLOM BTA mobile application guide clients 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.

11.3.2 TECHNOLOGY

Call Center

The Call Center's monitoring system has been upgraded for a better examination and control: Fraud Monitor System, ATM Monitor System.

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).

11.4 ISLAMIC BANKING

Year 2017 was a challenging year for the whole banking sector in Lebanon as a result of the dramatic political and economic circumstances which have occurred during the last couple of months, requiring urgent and attentive action plan to maintain the financial and economic stability.

The Islamic banking industry in Lebanon is still being challenged by the limited awareness of its existence in the Lebanese market, and by the lack of supporting regulations that are vital to put the Islamic banks at equal footings with the conventional banks.

Despite that, BLOM Development Bank was able during the year to achieve a growth in its total assets of around 6% and a growth in clients' deposits around 5%, along with maintaining an acceptable level of profitability.

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 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 capabilities and knowledge. Operating in all lines of insurance, AROPE is committed to provide the finest services to its partners and customers, while offering comprehensive solutions shaped to satisfy all customers' requirements in various business line:

Life and Personal Accident Insurance
Healthcare Insurance
Motor Insurance
Marine Insurance
Property Insurance
Liabilities Insurance
Cyber Insurance
Money Insurance
Takaful Window (offered in Lebanon only)
Life Microinsurance

Tailor-made insurance solutions are also available upon request.

In terms of consolidated results for 2017, AROPE Insurance scored USD 117.6 million of Gross Premiums with a Net Profit after Tax of USD 20.1 million, and USD 132.6 million in Shareholders' Equity.

In 2017, AROPE Insurance launched 2 major digital services one B2B and another B2C. In terms of business evolution, AROPE brought to life a mobile application dedicated to Traffic Experts called TEMA (Traffic Experts Mobile Application). Loaded with various features, TEMA simplifies the Traffic Experts' task during the inspection of an accident, minimizes the Insured's waiting time, and boosts the overall service of AROPE Insurance and its 24/7 Call Center. Digitally speaking, AROPE developed a new payment solution for its valued clients online, available anytime, anywhere and at their total convenience. The new Online Payment service is accessible with maximum ease from AROPE website, mobile website and mobile application in a click of a button. Moreover, optimal security is guaranteed thanks to BLOM BANK Payment Gateway.

Finally, back in October 2017, AROPE pioneered again in Lebanon and the region by offering DOOZY Insurance, AROPE's new direct business offering revolutionary insurance at competitive prices. "DOOZY" brand, which is 100% owned by AROPE Insurance, is the first direct insurance business in Lebanon in association with "Quest Insurance Brokerage S.A.R.L.", with a motto "DOOZY Insurance, Smart & Easy". It is solely sold online via a special website and other direct methods such as Telesales. Today, DOOZY offers motor insurance and will expand to include more insurance covers in the future.

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 aspires 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 our success. BLOM Asset Management Company administers and manages several funds in Lebanon, Jordan, and Saudi Arabia. This 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 learn, govern, communicate and do business as technology continues to heavily influence the banking industry with trends such as Big Data, Social Networking, Mobile and Cloud Computing and the Internet of Things.

Our vision at BLOM BANK amidst these changing landscapes is to avoid being disrupted and rather to adapt and adopt and to continue making our Bank 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 unprecedented speed of change in today's world.

Our experience at BLOM BANK portrays the fact that, by having the right technology mix, we are able to run our 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 different markets in the region while optimizing costs and increasing revenues.

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

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, our strategy is to focus primarily on our agility to adopt the digital trends and to foster a climate of innovation within the Bank.

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 our 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.

By using this strategy, BLOM BANK is being able to offer the most complete portfolio of technology-enabled products and services which is a superset of those offered by banks at the local and regional levels, and this has allowed us to achieve several awards including the "Best Consumer Digital Bank in Lebanon for 2017" from Global Finance and the "Best Bank in Lebanon for 2017" from Euromoney.

Moreover, our eBLOM Mobile App (available on the Apple Store and Play Store) has an average rating of 4.4 – consistently higher than any banking App in Lebanon. Also, the metrics related to the usage of the eBLOM App show that this service is appealing more and more to our customer base knowing that the majority of our subscribers access our services on a regular basis i.e. at least once per week. In other terms, our customers are interacting via eBLOM App 4-5 time more than with the branch and this is providing more interactions and more cross and up sales opportunities.
Finally, and since introducing the Workflow for Business Process Management in 2007, we have succeeded in digitizing hundreds of thousands of additional tasks per year. Hence, the Workflow for Business Process Management has been able to process 7+ Million tasks per year i.e. more than 7 Million tasks have been migrated from paper-form to digital-form and these tasks, with their data attributes, are now viewable and searchable and can be used as a basis for data mining, scoring and pattern discovery analytics.

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 our customers and prospects include:

Digital Wallet

As consumers increasingly shop with connected devices, the need for a seamless and secure digital payment experience becomes crucial. In order to cater for these needs, BLOM BANK has put in place the needed technologies in order to enable Visa mobile contactless payments services and have it managed/integrated through the same existing eBLOM mobile banking application. eBLOM users can select any one of their issued debit/credit cards through the BLOM Pay service and enable it for payment via contactless interface as if they were using the physical contactless VISA payWave physical card and the payment is executed through their Android device supporting NFC payments.

eBLOM Corporate

eBLOM Corporate is a new online banking platform dedicated for companies which has been developed by BLOM BANK in 2017. The new online solution offers the possibility to effectively manage the companies' financial and banking operations through a highly-secured and easy-to-use interface. The solution is suitable for all companies who are looking for a fast and convenient method to manage payroll payments, to settle bulk payments for local suppliers and to send bulk international transfers without having to visit the branch. To be noted that eBLOM corporate users can be setup to have different levels of authentication, priorities and limits and that each authorized user can be subject to access limitations (according to the company's articles of association).

Instant Card Personalization and Issuance

In 2017, we have implemented the instant card issuance solution in order to introduce a new service whereby we are able to further enhance our customers' experience by allowing them to instantly replace a lost card or to issue a card on the spot for a new account. Hence, we were able to provide more in-branch offerings than ever before thus leveraging a customer-centric approach and delivering a personalized experience to our customers.

Generic Gift Card Platform

In 2017, we have put in place a generic Gift Card Platform whereby BLOM BANK can enable its partners such as shopping malls, retailers, and recreation centers to offer customized gift cards to their customers. To be noted that we have designed the generic Gift Card Platform in a way as to support the customized card definition around several criteria including card specifications, card packaging, card activation and loading and card spending parameters.

Bill Payment Service in Jordan

In 2017, we started offering the MadfooatCom service to our 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 our customers in Jordan to make payments seamlessly and securely via the eBLOM Jordan Mobile Banking App.

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

Finally, we will continue to enter into strategic partnerships with software vendors and also consider partnering with Fintechs in order to adopt innovative solutions.

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 Group 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, we supported in 2017 the acquisition of HSBC Lebanon by BLOM BANK from an IT perspective and we succeeded in smoothly mapping the HSBC products and services portfolio to our existing products and services. The data transfer from HSBC Lebanon and its integration within BLOM BANK's systems smoothly occurred over a single cutover weekend and was preceded by a series of dry runs in close cooperation with HSBC team. In addition, the infrastructure handover also occurred over the cutover weekend and we were able to serve ex-HSBC customers and accommodate ex-HSBC employees on the next business day following the cutover weekend.

Moreover, the continued investments that we are making in digital technologies are a key contributor towards higher efficiency, driving our costs savings and thus contributing towards achieving cost-to-income ratio (CI ratio) among the lowest when compared to peer players in the banking and financial services industry.

MAINTAIN A RESILIENT, AGILE AND SECURE INFORMATION SYSTEMS INFRASTRUCTURE

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

In addition, our information systems infrastructure supporting private cloud services will allow us to scale up our services way quicker, and to provision IT resources with exceptional speed and flexibility.

Along these lines and as an illustration of the above, we are supporting BLOM BANK Jordan in achieving COBIT 5.0 compliance. Moreover, we have 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 shall 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. Along these lines, it is worth mentioning that 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. To be noted that, 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.

Along these lines, 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.

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 we 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 2017, 82.18% of employees held a university degree, professional certification, or higher education degree. Also, the average age of employees is 35.23 years old which is quite young for our industry.

DISTRIBUTION OF BLOM BANK EMPLOYEES ACROSS BLOM BANK GROUP AS AT END OF DECEMBER 2017

		Banks and Financial Subsidiaries				Insurance Subsidiaries		Grand Total
		Lebanon	MENA	Gulf	Europe	Lebanon	MENA	
Gender	Male	1,402	1,129	95	92	98	199	3,015
	Female	1,288	395	62	80	159	86	2,070
Age	< 25	381	206	17	-	35	40	679
	26-35	1,331	710	55	34	112	175	2,417
	36-45	444	394	39	40	60	55	1,032
	46-55	301	158	24	57	31	13	584
	56-64	233	56	22	41	19	2	373
	Average Age	**35.54**	**33.04**	**39.68**	**47.18**	**36.00**	**33.60**	**35.23**
Level of Education	Graduate Degrees	762	45	32	39	38	-	916
	Professional Certificates	35	14	3	1	-	-	53
	Bachelor Degrees	1,388	1,286	74	78	135	249	3,210
	Technical Certificates	57	88	10	31	30	36	252
	Others	448	91	38	23	54	-	654
Functions	Managers and Deputies	318	247	34	41	26	16	682
	Assistants & Supervisors	329	382	8	27	38	22	806
	Employees	2,043	895	115	104	193	247	3,597
Total number of employees		**2,690**	**1,524**	**157**	**172**	**257**	**285**	**5,085**
Number of Branches		**81**	**58**	**7**	**7**	**9**	**64**	**226**
Training Hours		**76,763**	**47,408**	**767**	**954**	**3,774**	**13,259**	**142,925**
Number of hired employees		**483***	**186**	**17**	**15**	**32**	**116**	**849**
Departed employees		**180**	**126**	**17**	**14**	**25**	**79**	**441**

**The number of hired employees includes the 192 employees who joined BLOM BANK as a result of the acquisition of HSBC Lebanon Branches.*

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 2017, the various units of BLOM BANK Group recruited a total of 849 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 Lebanon (60.66%) given the acquisition of 192 employees from HSBC Lebanon, immediately followed by the MENA region (35.57%), the Gulf region (2.00%), and Europe (1.77%).

NEW RECRUITS AND TURNOVER RATES OF BLOM BANK GROUP UNITS OPERATING IN VARIOUS GEOGRAPHIC REGIONS IN YEAR 2017

	New Recruits				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	483	186	17	15	**701**
Insurance Subsidiaries	32	116	-	-	**148**
Total	**515**	**302**	**17**	**15**	**849**

	Turnover Rate				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	7.09	8.44	10.90	8.21	**7.73**
Insurance Subsidiaries	9.86	29.53	-	-	**19.96**
Total	**7.34**	**11.64**	**10.90**	**8.21**	9.04

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 142,925 TRAINING HOURS IN 2017, AMOUNTING TO AN AVERAGE OF 28.11 TRAINING HOURS PER EMPLOYEE.

	Training Hours				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	76,763	47,408	767	954	**125,892**
Insurance Subsidiaries	3,774	13,259	-	-	**17,033**
Total	**80,537**	**60,667**	**767**	**954**	142,925

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 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 customers.

14. BANK'S OPERATIONAL EFFICIENCY

In 2017, BLOM BANK Group's operational efficiency remained at a high level. Net profit per branch and average asset per branch improved by 1.6% and 6.8% respectively, as a result of both higher net profit and assets.

BLOM BANK GROUP'S OPERATIONAL EFFICIENCY INDICATORS

	2017	2016
Number of Branches	**226**	**219**
Average Assets per Branch (USD)	**144,000,065**	**134,785,658**
Net Profit per Branch (USD)	**2,147,221**	**2,113,381**

15. CORPORATE SOCIAL RESPONSIBILITY

At BLOM BANK, we are conscious of how our existence affects all our stakeholders, and we also recognize the impact our operations have on the community at large. Consequently, we never cease to persevere in doing the right thing acknowledging that our role, as one of the most prominent banks in Lebanon, is not merely economic or financial, but also social.

Our commitment to social responsibility leverages on our Environmental, Social, and Governance (ESG) driven decisions and initiatives, while managing their corresponding impacts and risks. This further induces the flow of a collaborative approach towards sustainable and ethical operations across our various business entities and departments, thus ensuring that all departments within the organization are shouldering responsibilities that are directly linked to their business values and have a positive impact on the overall performance of the Bank.

We are genuinely proud of the way we served our community in 2017; however we also know that sustainable companies persistently learn and work to improve. In 2017, we invested significant resources to further embed our CSR principles in everything we do. Thus, we have undertaken new initiatives and continued to run several programs that reinforce our strategy and support our commitment.

15.1 CARBON FOOTPRINT MEASUREMENTS

In 2017, we were able to define, calculate, and assess the Bank's carbon footprint. V4 Advisors conducted a Greenhouse Gas (GHG) audit, measured in tCO2eq, for our Bank's branches, head offices, and warehouses in Lebanon, based on the Business-as-Usual scenario. The Advisors quantified the results based on the "Built on GHG Protocol" Corporate GHG online calculator. The total GHG emitted by BLOM BANK, employing 2,195 employees in a total of 87,545.5 m2 was 14,701 tCO2e in year 2016. This is equivalent to 6.7 tCO2e per employee or 0.2 tCO2e (167.9 kgCO2e) per m2. The results equate to 1,547.4 trips around the equator. To offset our GHG emissions, 674,357.8 pine trees that are 10 years old need to be planted. This assessment is now being used as the basis for our action plan to reduce our carbon footprint for the year 2018.

15.2 RECYCLING AND REDUCTION OF PAPER AND ENERGY CONSUMPTION

We have delivered 79.85 tons of paper to a leading national paper recycling company and the proceeds were donated to associations that support physically and mentally challenged children. Moreover; 17,175 kilograms of shredded paper were handed out to "Association L'Ecoute" in order to support their main mission of providing earpieces to needy hearing-impaired individuals.

In addition, we have reviewed our Bank's forms and as a result we reduced the number of carbon copies for some forms to two instead of three, thus expecting 29% paper savings in bank forms in 2018.
We have also optimized energy consumption in our headquarters by reducing the number of generators that are turned on during hours of power failure. On another note, we turned off auxiliary apparatuses, thus decreasing fuel consumption by 35.3%.

15.3 DEMINING

In 2017, we reiterated our commitment to the "Demining program" launched in partnership with Lebanon Mine Action Center in the Lebanese Army through the "BLOM Giving Card". Thank to this partnership, we were able to clear more than 228,000 m2 of lands from landmines and consequently to flourish deadly lands back into the economy and to create employment opportunities in the demined territories.
Furthermore, and in 2017, we have contributed towards the inauguration of the Regional School for Humanitarian Demining in Lebanon in Hamana, which will train civilians and military personnel from the region in the destruction, removal and rendering harmless of explosives.

15.4 BLOM BANK BEIRUT MARATHON AND THE 542 VOLUNTEERING PROGRAM

We maintained our active commitment to supporting and promoting humanitarian and social causes across our community through the sponsorship of BLOM BANK Beirut Marathon (BBBM) 2017. BBBM constitutes for us 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, we launched our internal volunteering activities spanning over the Marathon's different preparatory and final phases.

On another note, we have 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 to run the 42K marathon. Over the summer of 2017, volunteers from BLOM BANK supported the runners on a number of Sunday trainings; cheering them on, providing them with moral support, and supplying them with water and highly energetic food; thus helping them achieve their objective.

15.5 BLOM SHABEB

To ensure our children make the right decisions in their professional and academic path, we have created BLOM shabeb – a program that empowers the Lebanese youth and provides them with the adequate training to tackle their first decisions as adults.

More than 270,000 youths benefited from the BLOM shabeb program so far, which includes career fairs for high school students, workshops for university students, job fairs and campus events, an online platform offering orientation services, and much more. In addition to that, we allocate every year a considerable budget to empower students with high potential and good academic performance by giving away a number of university scholarships. So far, 42 students have been granted scholarships to cover their tuition fees at the university of their choice.

15.6 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. Up until 2017, Protect Ed has been rolled out in 130 schools across Lebanon, reaching out to more than 87,500 school students per year through the program, and more than 11,800 parents through the free parents' seminars.

15.7 VIRTUAL STOCK EXCHANGE (VSE)

We designed the Virtual Stock Exchange Competition to provide a framework of hands-on experience for young adults, matching knowledge with experience and theory with practice. More specifically, it allows us to contribute towards the promotion of application-based experience in taught finance curriculums, and to promote their sustainability for the coming generations. Throughout its various editions this year; the competition reached out to more than 16,750 students. Also in 2017, the winners from 8 universities from around Lebanon participated in the first national edition of the VSE competition. As a result, 3 finalists won grand prizes.

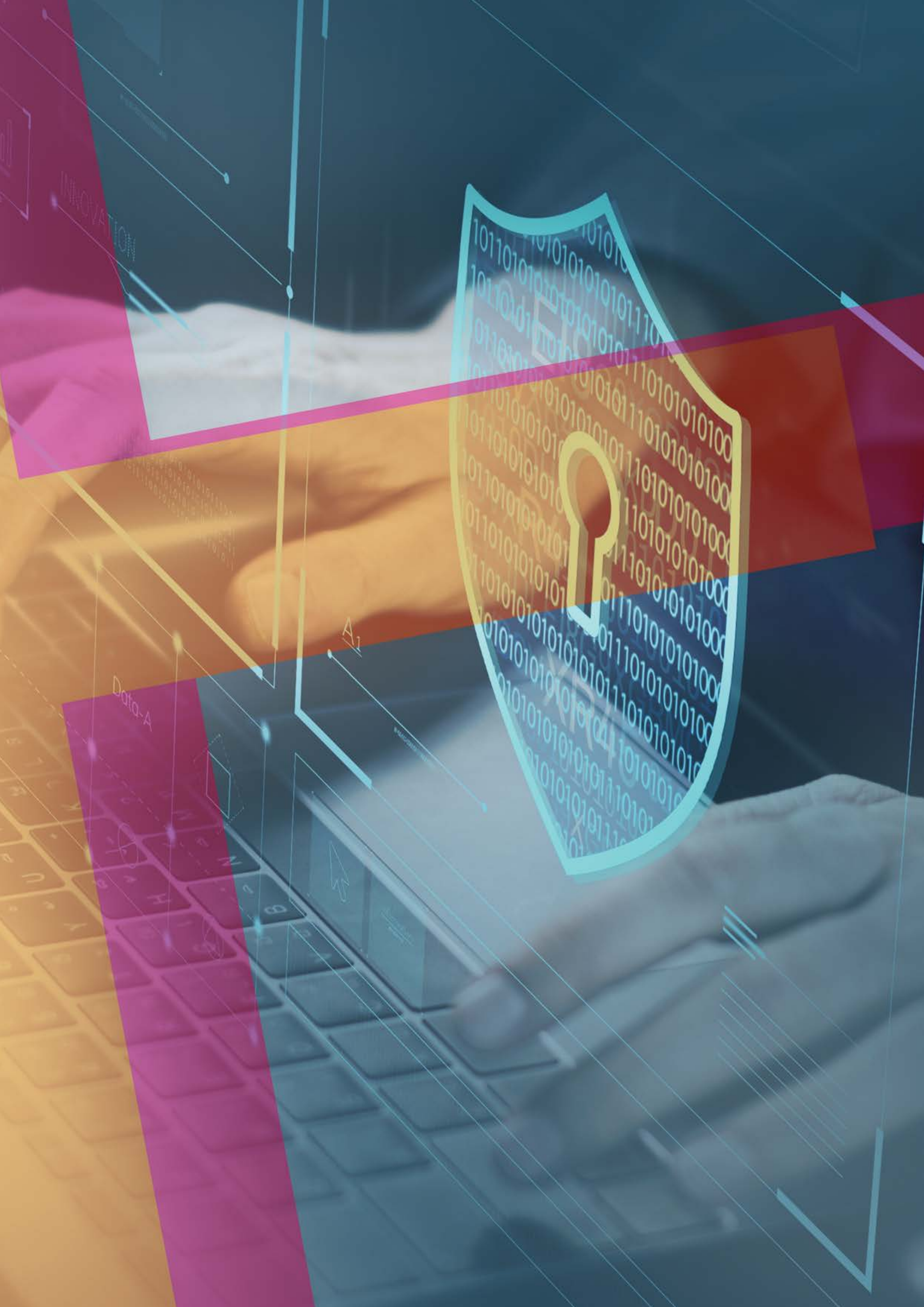
15.8 UNITED NATIONS GLOBAL COMPACT (UNGC) AND SDG4 ADOPTION

2017 marked the third year of BLOM BANK's affirmed commitment and support of the ten UNGC principles revolving around the areas of Human Rights, Labor, Environment, and Anti-Corruption. Our third Communication on Progress (COP) issued in December 2017 detailed our achievements and our commitments for this year and also defined the goals we aspire to achieve through our continuous efforts.

In addition to the above, BLOM BANK decided to take its commitment to sustainability further by joining the GCNL steering committee and adopting one of the 17 Sustainable Development Goals (SDGs) under the 2030 Agenda for Sustainable Development. In October 2017, we adopted SDG4, "Quality Education", as a natural outcome of our commitment to proactively invest in this SDG and make a difference, based on our corporate social responsibility strategy and our business model.

Eliminating risk by
treading with careful
thorough steps to give you
fortified security.

Are you ready?


INNOVATION
Data-A

Consolidated Financial Statements
31 December 2017

BLOM BANK S.A.L. CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017, 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 2017 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 38 to the consolidated financial statements, during 2016, the Group did not recognize in the consolidated income statement an amount of LL 166,100 million in gains realized from certain transactions on financial instruments with the Central Bank of Lebanon, net of taxes. These balances were deferred and recorded as "Deferred Revenues" under "Provisions for Risks and Charges" in the Statement of Financial Position in compliance with Central Bank of Lebanon's Intermediate Circular number 446 dated 30 December 2016. During the year ended 31 December 2017, the Group released LL 105,552 million gross of tax of this amount to "Other operating income" and charged LL 15,832 million under income tax expense.

Furthermore, the Group recorded excess provisions under "Provisions for Risks and Charges" amounting to LL 260,797 million during the year ended 31 December 2016 and 2017 in order to comply with the requirements of Central Bank of Lebanon's Intermediate Circular number 439 dated 8 November 2016.

The Group's accounting for the above-mentioned transactions departs from the requirements of IFRS. Had the Group properly accounted for these transactions, events and conditions, in accordance with IFRS, the effects on the consolidated financial statements would have been as follows:

• Total liabilities as at 31 December 2017 and 31 December 2016 would have decreased, through a decrease in "Provisions for Risks and Charges" by LL 337,177 million and LL 426,897 million respectively; and
• Total equity as at 31 December 2017 and 31 December 2016 would have increased by LL 337,177 million and LL 426,897 million, respectively through:
  - A decrease in net income for the year ended 31 December 2017 by LL 89,720 million through a decrease in "Other operating income" of LL 105,552 million and a decrease in "income tax expense" of LL 15,832 million; and
  - An increase in results of the year ended 31 December 2016 and the balance of retained earnings as of 1 January 2017 by LL 426,897 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 Bank 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.

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 2017. In addition to the matter described in the Basis for Qualified Opinion section, 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 an 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.

Key audit matter	How our audit addresses the key audit matter
Impairment of Loans and Advances	
Due to the inherently judgmental nature of the computation of impairment provisions for loans and advances, there is a risk that the amount of impairment may be misstated. The impairment of loans and advances is estimated by management through the application of judgement and the use of subjective assumptions. Due to the significance of loans and advances and related estimation uncertainty, this is considered a key audit risk. The corporate loan portfolio generally comprises larger loans that are monitored individually by management. The assessment of loan loss impairment is therefore based on management's knowledge of each individual borrower. This includes the analysis of the financial performance of the borrower, historic experience when assessing the likelihood of incurred losses in the portfolios and the adequacy of collateral for secure lending. However, consumer loans generally comprise much smaller value loans to a much greater number of customers. Provisions are not calculated on an individual basis, but are determined by grouping by product into homogeneous portfolios. The portfolios are then monitored through delinquency statistics, which drive the assessment of loan loss provision. Note 26 to the consolidated financial statements provides details relating to the impairment of loans and advances.	These risks were addressed by us as follows: For corporate customers, we tested the key controls over the credit grading process, to assess if the risk grades allocated to the counterparties were appropriate. We then performed detailed credit assessment of all loans in excess of a defined threshold and loans in excess of a lower threshold in the watch list category and impaired category together with a selection of other loans. Where impairment allowance was calculated on a collective basis for performing corporate loans, we tested the completeness and accuracy of the underlying loan information used in the impairment model by agreeing details to the Group's source systems as well as re-performing the calculation of the modelled impairment allowances. For the key assumptions in the model, we assessed whether those assumptions were appropriate in the circumstances. For consumer loans, specific and collective impairment allowances are calculated using a model, which are based on a percentage of undue balances as well as repayments due but not yet paid. We understood and critically assessed the model used and checked that no undue changes had been made in model parameters and assumptions. We tested the completeness and accuracy of data from underlying systems that is used in this model. We also re-performed the calculation of the modelled impairment allowance.
Goodwill impairment	
Goodwill impairment testing of cash generating units ('CGUs') relies on estimates of value-in-use based on estimated future cash flows. Due to the subjective nature of forecasting and discounting future cash flows, this is deemed to be a significant risk. Note 33 to the consolidated financial statements provides details relating to Goodwill which amounted to LL89,720 million when initially recognized. It also provides details pertaining to the impairment testing results.	We assessed the cash flow projections and compared key inputs, such as discount rates and growth rates, to externally available industry, economic and financial data and the acquiree's own historical data and performance. We involved our valuation specialists to assist in testing the assumptions used in goodwill impairment test. We assessed the Group's disclosures relating to good-will.

Other Information Included in the Group's 2017 Annual Report
Other information consists of the information included in the Group's 2017 Annual Report other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. The Group's 2017 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.

Responsibilities of Management and the Audit Committee 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 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.

27 March 2018
Beirut, Lebanon

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

LL Million	Notes	2017	2016
Interest and similar income	7	2,783,524	2,552,773
Interest and similar expense	8	(1,671,530)	(1,511,752)
Net interest income		**1,111,994**	**1,041,021**
Fee and commission income		263,016	281,363
Fee and commission expense		(57,239)	(54,802)
Net fee and commission income	9	**205,777**	**226,561**
Net gain from financial instruments at fair value through profit or loss	10	38,053	117,289
Net gain from sale of financial assets at amortized cost	11	60,420	575,558
Revenue from financial assets at fair value through other comprehensive income	28	340	435
Other operating income	12	129,393	21,402
Total operating income		**1,545,977**	**1,982,266**
Net credit losses	13	(19,101)	(123,775)
Impairment losses on financial investments	14	-	(34,749)
Net operating income		**1,526,876**	**1,823,742**
Personnel expenses	15	(317,618)	(312,046)
Other operating expenses	16	(170,397)	(177,307)
Depreciation of property and equipment	29	(35,368)	(35,762)
Amortization of intangible assets	30	(2,003)	(4,052)
Impairment of goodwill	33	(89,720)	(19,415)
Total operating expenses		**(615,106)**	**(548,582)**
Operating profit		**911,770**	**1,275,160**
Provision for risks and charges	17	-	(260,797)
Foreign currency translation losses on deconsolidation of subsidiaries	18	-	(73,728)
Net loss on disposal of fixed assets		(403)	(1,187)
Profit before tax		**911,367**	**939,448**
Income tax expense	19	(179,820)	(241,731)
Profit for the year		**731,547**	**697,717**
Attributable to:			
Equity holders of the parent		726,701	676,443
Non-controlling interests		4,846	21,274
		731,547	**697,717**
Basic/diluted earnings per share attributable to equity holders of the parent for the year	20	LL **3,394**	LL **3,321**

The accompanying notes 1 to 54 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

LL Million	2017	2016
Profit for the year	**731,547**	**697,717**
Other comprehensive gain (loss) to be reclassified to consolidated income statement in subsequent periods:		
Exchange differences on translation of foreign operations	39,338	(332,104)
Net (loss) gain on hedge of net investment	(22,693)	5,433
	16,645	**(326,671)**
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	64	237
Other comprehensive gain (loss) for the year	**16,709**	**(326,434)**
Total comprehensive income for the year	**748,256**	**371,283**
Attributable to:		
Equity holders of the parent	743,337	365,819
Non-controlling interests	4,919	5,464
	748,256	**371,283**

The accompanying notes 1 to 54 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2017

LL Million	Notes	2017	2016
Assets			
Cash and balances with central banks	21	24,630,491	17,991,169
Due from banks and financial institutions	22	3,563,253	3,180,661
Loans to banks and financial institutions	23	44,513	60,553
Derivative financial instruments	24	20,401	53,180
Financial assets at fair value through profit or loss	25	363,715	386,659
Net loans and advances to customers at amortized cost	26	11,335,975	10,708,390
Net loans and advances to related parties at amortized cost	48	28,145	91,557
Debtors by acceptances		150,791	113,492
Financial assets at amortized cost	27	7,856,375	10,994,933
Financial assets at fair value through other comprehensive income	28	4,224	3,815
Property and equipment	29	797,875	703,440
Intangible assets	30	2,173	2,482
Assets obtained in settlement of debt	31	60,680	49,756
Other assets	32	199,497	156,437
Goodwill	33	1,996	1,950
Total assets		**49,060,104**	**44,498,474**
Liabilities and equity			
Liabilities			
Due to central banks	34	2,254,945	519,021
Repurchase agreements	34	7,263	2,930
Due to banks and financial institutions	35	578,685	590,808
Derivative financial instruments	24	34,387	33,536
Customers' deposits at amortized cost	36	39,977,019	37,139,827
Deposits from related parties at amortized cost	48	185,571	262,490
Engagements by acceptances		150,791	113,492
Other liabilities	37	817,398	822,088
Provisions for risks and charges	38	523,424	593,652
Total liabilities		**44,529,483**	**40,077,844**
Equity			
Share capital - common shares	39	322,500	258,000
Share capital - preferred shares	39	-	24,000
Share premium on common shares	39	374,059	374,059
Share premium on preferred shares	39	-	277,500
Non distributable reserves	40	1,312,778	1,192,652
Distributable reserves	41	601,207	559,860
Treasury shares	42	(8,473)	(16,941)
Retained earnings	43	1,520,460	1,413,258
Revaluation reserve of real estate	44	14,727	14,727
Change in fair value of financial assets at fair value through other comprehensive income	45	614	550
Foreign currency translation reserve		(410,141)	(426,713)
Profit for the year		726,701	676,443
Equity attributable to equity holders of parent		**4,454,432**	**4,347,395**
Non-controlling interests		76,189	73,235
Total equity		**4,530,621**	**4,420,630**
Total liabilities and equity		**49,060,104**	**44,498,474**

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 16 March 2018:

Saad Azhari
Chairman and General Manager

Talal Baba
Chief Financial Officer

The accompanying notes 1 to 54 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	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 loss	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Call of preferred shares (note 39)	-	(24,000)	-	(277,500)	-	-	-
Capital increase (note 39)	64,500	-	-	-	(64,500)	-	-
Transfer from retained earnings to distributable & non-distributable reserves	-	-	-	-	3,367	(4,120)	-
Dividends distributions (note 47)	-	-	-	-	-	-	-
Appropriation of 2016 profits	-	-	-	-	179,455	45,470	-
Change in non-controlling interest	-	-	-	-	(6)	(3)	-
Purchase of treasury shares (note 42)	-	-	-	-	-	-	(37,564)
Sale of treasury shares (note 42)	-	-	-	-	-	-	46,032
Net gain on sale of treasury shares (note 42)	-	-	-	-	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 54 form part of these consolidated financial statements.

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 CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	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 2016	258,000	24,000	374,059	277,500	1,062,335	514,515	(180,708)
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends distributions (note 47)	-	-	-	-	-	-	-
Appropriation of 2015 profits	-	-	-	-	109,490	45,292	-
Purchase of treasury shares (note 42)	-	-	-	-	-	-	(122,590)
Sale of treasury shares (note 42)	-	-	-	-	-	-	286,357
Net gain on sale of treasury shares (note 42)	-	-	-	-	22,892	-	-
Transfer due to deconsolidated entities	-	-	-	-	(2,076)	(6)	-
Deconsolidation of subsidiaries (note 18)	-	-	-	-	-	-	-
Dividend distributions in a subsidiary company	-	-	-	-	-	-	-
Other	-	-	-	-	11	59	-
Balance at 31 December 2016	**258,000**	**24,000**	**374,059**	**277,500**	**1,192,652**	**559,860**	**(16,941)**

The accompanying notes 1 to 54 form part of these consolidated financial statements.

2016							
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
1,259,719	14,727	333	(190,841)	583,102	3,996,741	106,064	4,102,805
-	-	-	-	676,443	676,443	21,274	697,717
-	-	237	(310,861)	-	(310,624)	(15,810)	(326,434)
-	**-**	**237**	**(310,861)**	**676,443**	**365,819**	**5,464**	**371,283**
-	-	-	-	(273,540)	(273,540)	-	(273,540)
154,846	-	-	(49)	(309,579)	-	-	-
-	-	-	-	-	(122,590)	-	(122,590)
-	-	-	-	-	286,357	-	286,357
-	-	-	-	-	22,892	-	22,892
792	-	(20)	1,310	-	-	-	-
-	-	-	73,728	-	73,728	(35,989)	37,739
-	-	-	-	-	-	(1,628)	(1,628)
(2,099)	-	-	-	17	(2,012)	(676)	(2,688)
1,413,258	**14,727**	**550**	**(426,713)**	**676,443**	**4,347,395**	**73,235**	**4,420,630**

CONSOLIDATED STATEMENT OF CASH FLOWS
AT 31 DECEMBER 2017

LL Million	Notes	2017	2016
Operating Activities			
Profit for the year before income tax		911,367	939,448
Adjustments for:			
Depreciation of property and equipment	29	35,368	35,762
Amortization of intangible assets	30	2,003	4,052
Loss (gain) on disposal of property and equipment		403	(171)
Provision for loans and advances to customers, net	13	19,101	123,775
Excess provisions to comply with the Central Bank of Lebanon	17	-	260,797
Provision for impairment of assets obtained in settlement of debt	31	110	109
Write-back of provision on assets obtained in settlement of debt	31	(749)	(236)
Net provision for risks and charges		14,683	17,492
Gain on disposal of assets obtained in settlement of debt		(1,662)	(171)
Net gain from sale of financial assets at amortized cost	11	(60,420)	(575,558)
Unrealized fair value losses (gains) on financial assets at fair value through profit or loss	10	9,882	(24,986)
Impairment losses on financial investments	14	-	34,749
Impairment of goodwill	33	89,720	19,415
Foreign currency translation losses on deconsolidation of subsidiaries	18	-	73,728
Release of provisions for risks and charges	12	(105,552)	-
Other		(4,184)	(2,688)
		910,070	905,517
Changes in operating assets and liabilities:			
Balances with central banks		(5,283,310)	(3,742,247)
Repurchase agreements		-	-
Due from banks and financial institutions		(47,566)	889,262
Loans to banks and financial institutions		16,040	2,823
Derivative financial instruments – debit		32,779	(12,461)
Financial assets at fair value through profit or loss		13,062	233,592
Net loans and advances to customers at amortized cost		(646,686)	1,092
Net loans and advances to related parties at amortized cost		63,412	(59,341)
Other assets		(43,060)	(11,323)
Due to banks and financial institutions		(79,708)	87,921
Derivative financial instruments – credit		851	(7,268)
Customers' deposits at amortized cost		2,837,192	(159,062)
Deposits from related parties at amortized cost		(76,919)	64,166
Other liabilities		30,678	28,797
Provisions for risks and charges	38	(89,720)	166,100
Cash (used in) from operations		(2,362,885)	(1,612,432)
Taxes paid		(208,704)	(120,515)
Provisions for risks and charges paid		(4,660)	(5,848)
Net cash used in operating activities		**(2,576,249)**	**(1,738,795)**
Investing Activities			
Financial assets at amortized cost		3,198,978	2,407,004
Financial assets at fair value through other comprehensive income		(409)	2,361
Assets obtained in settlement of debt		(8,462)	(18,033)
Purchase of property and equipment	29	(75,699)	(150,829)
Purchase of intangible assets	30	(1,426)	(1,502)
Transfer of property and equipment and intangible assets	29&30	154	3,201
Transfer of assets obtained in settlement of debt	31	7	-
Cash proceeds from the sale of property and equipment and intangible assets		1,691	307
Net cash outflow from deconsolidation of subsidiaries	14	-	(229,622)
Acquisition of a subsidiary, net of cash acquired	33	(13,178)	-
Net cash from investing activities		**3,101,656**	**2,012,887**
Financing activities			
Sale of treasury shares – net		8,468	163,767
Net gain on sale of treasury shares		3,408	22,892
Dividends paid	47	(343,263)	(273,540)
Dividends paid to non-controlling interests in a subsidiary company		(1,499)	(1,628)
Call of preferred shares	39	(301,500)	-
Net cash used in financing activities		**(634,386)**	**(88,509)**
Effect of exchange rate changes		**(7,825)**	**(292,704)**
Decrease in cash and cash equivalents		**(116,804)**	**(107,121)**
Cash and cash equivalents at 1 January		4,967,492	5,074,613
Cash and cash equivalents at 31 December	46	**4,850,688**	**4,967,492**
Operational cash flows from interest and dividends			
Interest paid		(1,623,975)	(1,519,493)
Interest received		2,735,959	2,542,240
Dividends received		7,951	8,423

The accompanying notes 1 to 54 form part of these consolidated financial statements.

1. CORPORATE INFORMATION

BLOM Bank SAL (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 authorised for issue in accordance with the Board of Directors' resolution on 16 March 2018.

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 carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

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 the consolidated financial statements
The Group presents its consolidated 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 offset and the net amount is reported in the consolidated statement of financial position only in the ordinary course of business, in the event of default, in the event of insolvency or bankruptcy of the Group and/or its counterparties or 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 without being contingent on a future event. 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 the Group and its subsidiaries as at 31 December 2017. 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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value at the date of loss of control.

Non-Controlling interest
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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective after 1 January 2017

The following new and revised IFRSs have been applied in the current period in these consolidated financial statements. Their adoption had no significant impact on the amounts reported in these consolidated financial statements but may affect the accounting for future transactions or arrangements.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The amendment has no impact on the Group's financial statements as all of these changes are cash flow changes.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 31 December 2017, the Group had no interest in a subsidiary, joint venture or associate classified as held for sale, and as such, these amendments did not affect the Group's 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 2017, with the Group not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

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 plans to adopt 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.

In accordance with the transition provisions of IFRS 9 (2014), the Group will apply this standard retrospectively. The changes in measures arising on initial application will be incorporated through an adjustment to opening retained earnings or reserves (as applicable) as at 1 January 2018.

Estimated impact of the adoption of IFRS 9 on the opening equity at 1 January 2018:

Based on assessments undertaken to date, the expected increase in impairment allowances when measured in accordance with IFRS 9 expected credit losses model (see II below) compared to IAS 39 incurred loss model is estimated at approximately LL 44 billion, which is already covered by the Group's excess collective provisions disclosed in note 38 to the consolidated financial statements. Accordingly, there will be no negative impact on the Group's equity from the adoption of the IFRS 9 impairment requirements.

The above assessment is preliminary because not all transition work has been finalised. The actual impact of adopting IFRS 9 on 1 January 2018 may change because:

• IFRS 9 will require the Group to revise its accounting processes and internal controls and these changes are not yet complete;
• Although parallel runs were carried out in the second half of 2017, the new systems and associated controls in place have not been operational for a more extended period;
• The Group has not finalised the testing and assessment of control over its new IT systems and changes to its governance framework;
• The Group is refining and finalising its models for ECL calculations; and
• The new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Group finalises its first financial statements that include the date of initial application.

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 FVOCI 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 amortised cost information, as well as fair value information is relevant and useful. This will be the case if these assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets.

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 equity 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.

There is no expected impact from reclassification of the Group's financial assets as Management believes there are no portfolios that meet the business model criteria of the FVOCI measurement category for debt instruments at the date of initial application.

II. Impairment

The standard introduces a new single model for the measurement of impairment losses on all financial assets including loans and debt securities measured at amortised cost or at fair value through OCI. The IFRS 9 expected credit loss (ECL) model replaces the current model of IAS 39.

The ECL model contains a three-stage approach which is based on the change in credit quality of financial assets since initial recognition. The ECL model is forward-looking and requires the use of reasonable and supportable forecasts of future economic conditions in the determination of significant increases in credit risk and measurement of ECL.

Stage 1
12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (SICR) since origination and are not credit impaired. The ECL will be computed using a factor that represents the Probability of Default (PD) occurring over the next 12 months.

Stage 2
Under Stage 2, where there has been a significant increase in credit risk since initial recognition but the financial instruments are not considered credit impaired, an amount equal to the default probability weighted lifetime ECL will be recorded. Provisions are expected to be higher in this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1.

Stage 3
Under Stage 3, where there is objective evidence of impairment at the reporting date these financial instruments will be classified as credit impaired and an amount equal to the lifetime ECL will be recorded for the financial assets.

Key Considerations
Some of the key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Group while determining the impact assessment, are:

Assessment of Significant Increase in Credit Risk
The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Group compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Group existing risk management processes.

Our assessment of significant increases in credit risk will be performed at least quarterly for each individual exposure based on three factors. If any of the following factors indicates that a significant increase in credit risk has occurred, the instrument will be moved from Stage 1 to Stage 2:
(1) We have established thresholds for significant increases in credit risk based on movement in PDs relative to initial recognition.
(2) Additional qualitative reviews will be performed to assess the staging results and make adjustments, as necessary, to better reflect the positions which have significantly increased in risk.
(3) IFRS 9 contains a rebuttable presumption that instruments which are 30 days past due have experienced a significant increase in credit risk. Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of credit-impairment under IFRS 9 will be similar to the individual assessment of financial assets for objective evidence of impairment under IAS 39.

II. Impairment

Macroeconomic Factors, Forward-Looking Information (FLI) and Multiple Scenarios
The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

PD, Loss Given Default (LGD) and Exposure At Default (EAD) inputs used to estimate Stage 1 and Stage 2 credit loss allowances are modelled based on the macroeconomic variables (or changes in macroeconomic variables) that are most closely correlated with credit losses in the relevant portfolio. Each macroeconomic scenario used in our expected credit loss calculation will have forecasts of the relevant macroeconomic variables.

Our estimation of expected credit losses in Stage 1 and Stage 2 will be a discounted probability-weighted estimate that considers a minimum of three future macroeconomic scenarios.

Our base case scenario will be based on macroeconomic forecasts published by our internal economics group. Upside and downside scenarios will be set relative to our base case scenario based on reasonably possible alternative macroeconomic conditions. Scenario design, including the identification of additional downside scenarios will occur on at least an annual basis and more frequently if conditions warrant.

Scenarios will be probability-weighted according to our best estimate of their relative likelihood based on historical frequency and current trends and conditions. Probability weights will be updated on a quarterly basis. All scenarios considered will be applied to all portfolios subject to expected credit losses with the same probabilities.

II. Impairment

Definition of Default
The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Expected Life
When measuring ECL, the Group must consider the maximum contractual period over which the Group is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Group is exposed to credit risk and where the credit losses would not be mitigated by management actions.

Governance
In addition to the existing risk management framework, internal committees provide oversight to the IFRS 9 implementation. These committees comprise senior representatives from Finance and Risk Management and main business lines and will be responsible for reviewing and approving staging of financial assets and other key inputs and assumptions used in our expected credit loss estimates. It also assesses the appropriateness of the overall allowance to be provided for expected credit losses.

The expected impact on the Group's statement of financial position and equity is discussed above.

III. Hedge accounting

IFRS 9 also incorporates new hedge accounting rules that intend to align hedge accounting with risk management practices. IFRS 9 does not cover guidance on macro hedge accounting as IASB is working on it as a separate project. IFRS 9 includes an accounting policy choice to defer the adoption of IFRS 9 hedge accounting and to continue with IAS 39 hedge accounting. The Group, however, has elected to adopt the new hedge accounting provisions of IFRS 9.

The Group does not expect an impact on its financial statements from the adoption of IFRS 9 (2014).

IV. Financial instruments: disclosures (IFRS 7)

The Group will be amending the disclosures for 2018 financial statements to include more extensive qualitative and quantitative disclosures relating to IFRS 9 such as new classification categories, three stage impairment model, new hedge accounting requirements and transition provisions.

OTHER STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standard	Description	Effective date
IFRS 15, "Revenue from contracts with customers".	This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18,'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2018
IFRS 16, "Leases"	The IASB issued the new standard for accounting for leases in January 2016. (a) The new standard does not significantly change the accounting for leases for lessors. However, it does require lessees to recognise most leases on their balance sheets as lease liabilities, with the corresponding right-of-use assets. (b) Lessees must apply a single model for all recognised leases, but will have the option not to recognise 'shortterm' leases and leases of 'low-value' assets. (c) Generally, the profit or loss recognition pattern for recognised leases will be similar to today's finance lease accounting, with interest and depreciation expense recognised separately in the statement of profit or loss. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. Lessees must adopt IFRS 16 using either a full retrospective or a modified retrospective approach.	1 January 2019
Amendments to IFRS 10 and IAS 28: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.	Indefinite

Standard	Description	Effective date
IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2	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. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met.	1 January 2018
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration	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 recognises 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 the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after: (i) The beginning of the reporting period in which the entity first applies the interpretation; or (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.	1 January 2018
IFRIC Interpretation 23 Uncertainty over Income Tax Treatment	The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately • The assumptions an entity makes about the examination of tax treatments by taxation authorities • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • How an entity considers changes in facts and circumstances An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. Since the Group operates in a complex multinational tax environment, applying the Interpretation may affect its Separate financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the Interpretation on a timely basis.	1 January 2019

The Group is currently assessing the impact of adopting the above changes as it plans to adopt the new standards on the required effective dates.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

The consolidated financial statements are presented in Lebanese Lira which is the Bank'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 recognised in equity relating to that particular foreign operation is recognised 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 closing rate.

Financial instruments – classification and measurement

(i) Date of recognition

All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. 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) Classification and measurement of financial instruments

a. Financial assets

The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortized cost or fair value.

An entity may, at initial recognition, 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 basis. An entity is required to disclose such financial assets separately from those mandatorily measured at fair value.

Financial assets at amortized cost

Debt instruments are subsequently measured at amortized cost less any impairment loss (except for debt instruments that are designated at fair value through profit or loss upon initial recognition) if they meet the following two conditions:

• The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
• The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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 financial assets are measured at amortized cost using the effective interest rate method (EIR), less allowance for impairment. 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 effective interest rate. 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 "Impairment losses on other financial assets".

Although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. Thus an entity'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 entity needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the entity's business model for managing those financial assets changes, the entity is required to reclassify financial assets.

Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under "Net gain from sale of financial assets at amortized cost" in the consolidated income statement.

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

After initial measurement, "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" are subsequently measured at amortized cost using the EIR method, less allowance for impairment. 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 credit losses".

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" above, debt instruments designated at fair value through profit or loss upon initial recognition and equity instruments at fair value through profit or loss.

Debt instruments at fair value through profit or loss

These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and interest income are recorded under "Net gain from financial instruments 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.

Gains and losses arising from the derecognition of debt instruments at fair value through profit or loss are also reflected under "Net gain from financial instruments 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 from financial instruments 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 instruments at fair value through profit or loss" in the consolidated income statement.

Financial assets at fair value through other comprehensive income

Investments in equity instruments designated at initial recognition as not held for trading are classified at fair value through other comprehensive income.

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.

Dividends on these investments are recognized under "Revenue from financial assets at fair value through other comprehensive income" in the consolidated income statement when the entity's right to receive payment of dividend is established in accordance with IAS 18: "Revenue", unless the dividends clearly represent a recovery of part of the cost of the investment.

b. Financial liabilities

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 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.
- financial guarantee contracts and commitments to provide a loan at a below-market interest rate which after initial recognition are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortization recognised in accordance with IAS 18 Revenue.

Fair value option

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 entity's key management personnel.

The amount of changes in fair value of a financial liability designated at fair value through profit or loss at initial recognition that is attributable to changes in credit risk of that liability is 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 are not reclassified to consolidated income statement.

As at 31 December 2017, financial liabilities designated at amortized cost held by the Group consist of due to central banks, repurchase agreements, due to banks and financial institutions, and customers' and related parties' deposits.

Due to central banks, repurchase agreements, due to banks and financial institutions, customers' deposits and related parties deposits

After initial measurement, due to central banks, repurchase agreements, due to banks and financial institutions, 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.

c. Derivatives recorded at fair value through profit or loss

The Group uses derivatives such as futures, currency swaps, forward foreign exchange contracts and equity swaps and 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. Changes in the fair value of derivatives are recognised in "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

An embedded derivative shall be 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 recognised in profit or loss

(iii) Day 1 profit or loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, 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 determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognized.

(iv) 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. Such changes 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 recognised 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 recognised 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.

Derecognition of financial assets and financial liabilities

(i) Financial assets

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 asset have expired.
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either:
(a) The Group has transferred substantially all the risks and rewards of the asset, or
(b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that 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 that the Group could be required to repay.

(ii) 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.

Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated 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. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its consolidated statement of financial position to "Financial assets given as collateral" as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the consolidated statement of financial position. The consideration paid, including accrued interest is recorded in the consolidated statement of financial position within "Cash collateral on securities borrowed and reverse purchase agreements", 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 consolidated income statement.

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 summarised 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 recognised 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.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), 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 debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating 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 amortised cost

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually 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, whether significant or not, 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, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised 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 recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to "Net credit losses" in the consolidated income statement.

(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 or collective 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 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 "Reserves for capital increase" in the following financial year.

Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

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.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. 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 end on an ongoing basis. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125% and are expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the consolidated income statement in "Net gain from financial instruments at fair value through profit or loss". For situations where that hedged item is a forecast transaction, the Group also assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

(i) Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the consolidated income statement. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate (EIR method). If the hedged item is derecognised, the un amortized fair value adjustment is recognised immediately in the consolidated income statement.

(ii) Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in equity in the "Cash flow hedge" reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the consolidated income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income are removed from the reserve and included in the initial cost of the asset or liability.

When the hedged cash flow affects the consolidated income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the consolidated income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Hedge of a net investment

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 recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in the consolidated income statement.

On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the consolidated income statement.

Leasing

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Recognition of income and expenses

Revenue is recognised 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 recognised.

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the EIR method, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as "Interest and similar income" for financial assets and "Interest and similar expense" for financial liabilities.

Once the recorded value of a financial asset on a group of similar financial assets has been reduced due to an impairment loss, interest income continue to be recognized using the rate of interest used to discount the future cash flows of the purpose of measuring the impairment loss.

(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 and commission income from providing insurance services

Insurance and investment contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognized as revenue over the period in which the related services are performed. If the fees are for services provided in future periods, then they are deferred and recognized over those future periods.

(iii) Dividend income

Dividend income is recognised when the right to receive the payment is established.

(iv) Net gain from financial instruments at fair value through profit or loss

Results arising from financial assets at fair value through profit or loss include all gains and losses from changes in fair value and related income or expense and dividends for financial assets at fair value through profit or loss. This includes any ineffectiveness recorded in hedging transactions. This caption also includes the results arising from trading activities including all gains and losses from changes in fair value and related income or expense and dividends for financial assets held for trading.

(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 temporise 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 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 recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised 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

Property and equipment is derecognised 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 recognized in "Net gain on disposal of fixed assets" in the year 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 elects whether to measures the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, 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, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised 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 recognised 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 recognised 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.

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

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.

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. 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 recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognized in the consolidated income statement.
Impairment losses relating to goodwill cannot be reversed in future periods.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements (within "Other liabilities") 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 recognised less, when appropriate, cumulative amortization recognised in the consolidated income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee. Any increase in the liability relating to financial guarantees is recorded in the consolidated income statement in "Net credit losses". The premium received is recognised in the consolidated income statement on a straight line basis over the life of the guarantee in "Net fees and commission income".

Provisions for risks and charges

Provisions are recognised 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 recognised directly in equity is recognised 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.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 financial position items.

Dividends on ordinary shares

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Bank.

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.

Segment reporting

The Group's segmental reporting is based on the following operating segments: retail banking; corporate banking; treasury, money and capital markets; and asset management and private banking.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

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:

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.

Business model

In making an assessment whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made.
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. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

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.

Deconsolidation of Bank of Syria and Overseas SA (BSO), Syria International Insurance (AROPE Syria) SA and Syria and Overseas Company for Financial Services (SOFS) as at 31 December 2016

The Group proceeded with the deconsolidation of the subsidiaries Bank of Syria and Overseas SA (BSO), Syria International Insurance (AROPE Syria) and Syria and Overseas Company for Financial Services (SOFS), effective as of 31 December 2016. The decision to proceed with the deconsolidation was mainly due to the loss of control over the subsidiaries and the Group's inability to direct the relevant activities of the subsidiaries. The violent and crippling civil war, the international sanctions, the lack of exchangeability between the Syrian Pounds from one side and the US Dollar from the other, combined with other restrictive regulations, have limited the Group's ability to effectively manage the subsidiaries. Given this scenario, which is expected to endure for the foreseeable future, it was considered that the requisite conditions of IFRS 10 have not been met in order for an accounting control to be carried out on the subsidiaries. Therefore, the deconsolidation of the subsidiaries was proceeded with. Given the complexity of the Syrian scenario, the previously summarised considerations and assumptions inevitably relied on complex and subjective assessments and estimates based on historical experience, and are considered reasonable and realistic in the circumstances. These assessments and assumptions resulted in significant overall effects on the consolidated financial statements of the Group. Please refer to notes 14 and 18 for more details on these effects.

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, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Impairment losses on loans and advances

The Group reviews its individually significant loans and advances at each consolidated 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 date (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

4. GROUP INFORMATION

The consolidated financial statements of the Group comprise the financial statements of BLOM Bank SAL and the following subsidiaries:

Name	Country of incorporation	Activities	% effective equity interest	
			31 December 2017 %	31 December 2016 %
BLOM Bank France SA	France	Banking activities	99.998	99.998
BLOM Bank (Switzerland) SA	Switzerland	Banking activities	99.998	99.998
BLOMInvest Bank SAL	Lebanon	Banking activities	99.920	99.930
BLOM Development Bank SAL	Lebanon	Islamic banking activities	99.918	99.925
Arope Insurance SAL	Lebanon	Insurance activities	89.039	89.039
BLOM Bank Egypt SAE	Egypt	Banking activities	99.419	99.419
BLOM Egypt Securities SAE	Egypt	Brokerage activities	99.665	99.647
BLOMInvest – Saudi Arabia	Saudi Arabia	Financial institution	59.960	59.965
BLOM Bank Qatar LLC	Qatar	Banking activities	99.750	99.750
Arope Life Insurance Egypt SAE	Egypt	Insurance activities	91.116	91.116
Arope Insurance of Properties and Responsibilities Egypt SAE	Egypt	Insurance activities	93.192	93.192
BLOM Securities	Jordan	Financial institution	100.000	100.000
BLOM Asset Management Company SAL	Lebanon	Investment activities	99.997	99.997
BLOM Egypt Investments Company SAE (**)	Egypt	Investment activities	99.677	-

(**) BLOM Egypt Investments Company SAE, an Egyptian joint stock company, was incorporated on 23 October 2016 and licensed on 23 March 2017, with a capital of EGP 10.25 million (LL 853 million).

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:

(%)	2017	2016
BLOMInvest – Saudi Arabia	40.040	40.035
Arope Insurance SAL	10.961	10.961

Profit allocated to material non-controlling interests:

LL Million	2017	2016
BLOMInvest – Saudi Arabia	1,347	3,827
Arope Insurance SAL	3,062	2,998

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	2017	2016	2017	2016
Net interest income	370	1,000	23,254	21,208
Net fee and commission income	10,779	17,240	30,828	33,067
Net (loss) gain from financial instruments at fair value through profit or loss	(382)	459	154	(262)
Other operating income	-	27	389	10,218
Total operating income	**10,767**	**18,726**	**54,625**	**64,231**
Net credit losses	-	-	(74)	(109)
Impairment losses on financial investments	-	-	-	(10,109)
Total operating expenses	(7,019)	(8,355)	(24,022)	(24,304)
Net gain (loss) on disposal of other assets	87	-	(1)	2
Profit before tax	**3,835**	**10,371**	**30,528**	**29,711**
Income tax expense	(470)	(812)	(2,594)	(2,362)
Profit for the year	**3,365**	**9,559**	**27,934**	**27,349**
Attributable to non-controlling interests	1,347	3,827	3,062	2,998

Summarized statement of financial position

LL Million	BLOMInvest – Saudi Arabia 2017	BLOMInvest – Saudi Arabia 2016	Arope Insurance SAL 2017	Arope Insurance SAL 2016
Assets				
Cash and balances with banks	10	1	32	36
Due from banks and financial institutions	14,455	66,146	323,929	374,568
Due from head office and sister banks	179	153	93,812	27,013
Financial assets at fair value through profit or loss	54,872	30,994	7,975	7,432
Net loans and advances at amortized cost	-	-	25,898	20,590
Financial assets at amortized cost	5,152	5,162	15,749	15,737
Investments in subsidiaries and associates	-	-	36,542	36,542
Property and equipment	23,478	24,265	24,989	24,634
Intangible assets	78	61	345	-
Other assets	42,160	30,821	80,350	70,044
Total assets	**140,384**	**157,603**	**609,621**	**576,596**
Liabilities				
Due to head office and sister banks	-	21	-	7,597
Other liabilities	12,938	31,346	338,981	322,544
Provisions for risks and charges	705	1,672	57,559	47,627
Total liabilities	**13,643**	**33,039**	**396,540**	**377,768**
Total shareholders' equity	**126,741**	**124,564**	**213,081**	**198,828**
Attributable to non-controlling interests	50,708	49,835	23,355	21,793
Total liabilities and shareholders' equity	**140,384**	**157,603**	**609,621**	**576,596**

Summarized cash flow information

LL Million	BLOMInvest – Saudi Arabia 2017	BLOMInvest – Saudi Arabia 2016	Arope Insurance SAL 2017	Arope Insurance SAL 2016
Operating	(229,845)	55,683	19,390	23,294
Investing	15,139	3,020	(36,854)	(1,365)
Financing	-	-	(21,277)	(5,363)
	(214,706)	**58,703**	**(38,741)**	**16,566**

6. SEGMENTAL INFORMATION

The Group operates in four major business segments: retail; corporate; treasury and asset management and private banking.

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.

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.

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.

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, profit and total assets and liabilities information in respect of the Group's operating segments:

Profit for the year information

	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 credit losses	-	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**

LL Million	2016					
	Treasury	Corporate banking	Retail banking	Asset management and private banking	Unallocated*	Total
Net interest income	618,074	193,256	228,328	1,363	-	1,041,021
Net fee and commission income	40,204	43,189	69,640	52,657	20,871	226,561
Net gain from financial instruments at fair value through profit or loss	77,150	-	40,139	-	-	117,289
Net gain from sale of financial assets at amortized cost	575,558	-	-	-	-	575,558
Revenue from financial assets at fair value through other comprehensive income	435	-	-	-	-	435
Other operating income	10,118	1,738	9,526	-	20	21,402
Net credit losses	-	(94,468)	(29,307)	-	-	(123,775)
Impairment losses on financial investments	(34,749)	-	-			(34,749)
Net operating income	**1,286,790**	**143,715**	**318,326**	**54,020**	**20,891**	**1,823,742**
Extracts of results						
Depreciation and amortization						(39,814)
Unallocated expenses						(844,480)
Income tax expense						(241,731)
Profit for the year						**697,717**

(*) "Unallocated" include insurance premiums' commissions from insurance subsidiaries.

Financial position information

LL Million	2017					
	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**

LL Million	2016					
	Treasury, money and capital markets	Corporate banking	Retail banking	Asset management and private banking	Other**	Total
Total assets	32,670,970	6,404,673	4,377,682	131,149	914,000	**44,498,474**
Total liabilities	28,981,156	5,681,338	3,883,273	136,124	1,395,953	**40,077,844**

(**) Other includes activities related to property and equipment, intangible assets, assets obtained in settlement of debt, components of 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.

LL Million	2017		
	Domestic	International	Total
Total operating income	1,412,111	133,866	1,545,977
Net credit losses	(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**

LL Million	2016		
	Domestic	International	Total
Total operating income	1,661,497	320,769	1,982,266
Net credit losses	(123,373)	(402)	(123,775)
Impairment losses on financial investments	-	(34,749)	(34,749)
Net operating income[1]	**1,538,124**	**285,618**	**1,823,742**
Non-current assets[2]	**518,461**	**239,167**	**757,628**

[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	2017	2016
Balances with Central Banks	1,186,321	770,615
Due from banks and financial institutions	76,035	50,741
Loans and advances to customers at amortized cost	814,806	800,468
Loans and advances to related parties at amortized cost	1,320	1,021
Financial assets at amortized cost	705,042	929,928
	2,783,524	**2,552,773**

8. INTEREST AND SIMILAR EXPENSE

LL Million	2017	2016
Due to Central Banks	13,625	5,300
Due to banks and financial institutions	27,889	14,294
Customers' deposits at amortized cost	1,622,011	1,481,468
Deposits from related parties at amortized cost	8,005	10,690
	1,671,530	**1,511,752**

9. NET FEE AND COMMISSION INCOME

LL Million	2017	2016
Fee and commission income		
General banking income	45,555	45,409
Credit-related fees and commissions	38,689	39,862
Insurance brokerage income	35,003	38,873
Trade finance	24,624	27,782
Brokerage and custody income	19,783	23,097
Electronic banking	56,503	55,855
Asset management and private banking	25,421	32,371
Trust and fiduciary activities	1,680	1,766
Other fees and commissions	15,758	16,348
	263,016	**281,363**
Fee and commission expense		
General banking Expenses	(7,080)	(6,971)
Credit-related fees and commissions	(1,432)	(2,183)
Insurance Brokerage fees	(18,242)	(18,002)
Brokerage and custody fees	(2,256)	(2,811)
Electronic banking	(21,444)	(17,442)
Other fees and commissions	(6,785)	(7,393)
	(57,239)	**(54,802)**
	205,777	**226,561**

10. NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

LL Million	2017	2016
Interest and similar income from debt instruments and other financial assets at fair value though profit or loss:		
Government debt securities	4,468	7,407
Corporate debt securities	740	1,360
Certificates of deposit	146	659
Funds	359	205
	5,713	**9,631**
Net gain from sale of debt instruments and other financial assets at fair value through profit or loss:		
Government debt securities	(1,197)	(166)
Corporate debt securities	330	8,110
Certificates of deposit	45	5,441
Funds	1,594	(1,030)
Options	(15)	(27)
Equity instruments	588	1,114
	1,345	**13,442**
Net unrealized (loss) gain from revaluation of debt instruments and other financial assets at fair value through profit or loss:		
Government debt securities	1,302	(1,792)
Corporate debt securities	142	(4,930)
Certificates of deposit	(47)	(14)
Funds	(1,556)	822
Equity instruments	(9,723)	30,900
	(9,882)	**24,986**
Dividend income		
Funds	67	47
Equity instruments	7,544	7,940
	7,611	**7,987**
Foreign exchange income	**33,266**	**61,243**
	38,053	**117,289**

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 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:

	2017		
LL Million	Gains	(Losses)	Total
Lebanese sovereign and Central Bank of Lebanon			
Certificates of deposit	57,435	-	57,435
Government debt securities	14,841	(15,363)	(522)
	72,276	**(15,363)**	**56,913**
Other sovereign			
Government debt securities	9	-	9
Corporate debt securities	4,247	(749)	3,498
	76,532	**(16,112)**	**60,420**

	2016		
LL Million	Gains	(Losses)	Total
Lebanese sovereign and Central Bank of Lebanon			
Certificates of deposit	284,708	-	284,708
Government debt securities	295,358	(4,604)	290,754
	580,066	**(4,604)**	**575,462**
Other sovereign			
Government debt securities	96	-	96
	580,162	**(4,604)**	**575,558**

During 2016, the Group entered into certain financial transactions with the Central Bank of Lebanon relating to Treasury bills and certificates of deposits denominated in Lebanese Pounds. These transactions were available to banks provided that they are able to reinvest an amount equivalent to the nominal value of the sold instruments in Eurobonds issued by the Lebanese Republic or Certificates of Deposit issued by the Central Bank of Lebanon denominated in US Dollars and purchased at their fair values. The gains arising from such trades amounted to LL 554,761 million, of which LL 166,100 million and LL 76,380 million were recorded as deferred revenues as at 31 December 2016 and 31 December 2017, respectively (Note 38).

12. OTHER OPERATING INCOME

LL Million	2017	2016
Release of provisions for risks and charges (note 38)	105,552	-
Write back of provisions for risks and charges (note 38)	4,312	11,935
Gain from sale of assets obtained in settlement of debt	1,662	270
Write back of provisions for assets taken in settlement of debt (note 31)	749	236
Other income	17,118	8,961
	129,393	**21,402**

13. NET CREDIT LOSSES

LL Million	2017	2016
Provision for loans and advances		
Commercial loans (note 26)	17,097	115,541
Consumer loans (note 26)	37,419	45,179
Sundry debtors (note 32)	-	33
Commitment by signature (note 38)	78	1,425
	54,594	**162,178**
Write-back of provisions for loans and advances		
Commercial loans (note 26)	(6,999)	(16,077)
Consumer loans (note 26)	(13,371)	(11,966)
Unrealized interest (note 26)	(7,631)	(5,691)
Recoveries from loans reflected as off-financial position (note 26)	(7,492)	(3,342)
Recoveries from sundry debtors (note 32)	-	(33)
Recoveries from commitment by signature (note 38)	-	(1,294)
	(35,493)	**(38,403)**
	19,101	**123,775**

14. IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

LL Million	2017	2016
Impairment losses on financial investments	-	34,749

Starting March 2011, Syria has witnessed an extremely violent and crippling civil war between the regime and various opposition groups in different parts of the country. The war has turned into a humanitarian disaster resulting in Syria being ranked number one on the list of the most dangerous countries in the world. In addition, this has led several international bodies and countries (e.g. EU and USA) to set and implement several sanctions and restrictions on dealing with Syria.

The Syrian pound has lost at least 90% of its value against the US Dollar since 2011. The Syrian government has maintained currency controls and has created exchange mechanisms, which have become extremely illiquid over time, resulting in an other-than-temporary lack of exchangeability between the Syrian Pound and US Dollar. The supply of foreign currencies in the market remains structurally well below demand and there are no obvious limits as to how low the Syrian currency can fall.

Sanctions and the war, combined with the lack of exchangeability between the Syrian Pound and US Dollar, have significantly affected Syria's financial system. Banks are largely isolated from the international banking market, being shut-off from the international payment and settlement systems, as well as the credit markets. There was a major flight of deposits as Syrians have reallocated to safer assets. Syria's economy has contracted considerably in real terms since 2011, which has significantly affected the demand for credit facilities and the investment opportunities available for banks inside Syria. Banks are unable to repatriate funds outside the country and end up placing their funds in non-income generating assets, with the Central Bank of Syria and other local commercial or state-owned banks. The negative evolution of the macroeconomic situation limited the Bank's ability to effectively manage its Syrian subsidiaries. In addition, regulatory restrictions, such as foreign exchange controls, import authorization control, interest rates controls, and foreign currency credit facilities controls, have added to the limitations already existing on the significant activities of banks, preventing further the Bank from developing and implementing decisions on the relevant activities of its Syrian subsidiaries. Recently issued regulations requiring board meetings to be held in the Syrian territory and attended by the board members in person have also significantly impacted the Bank due to inability to attend the meetings to make and execute key operational and financial decisions regarding its Syrian operations.

As a result of these factors, which are expected to continue for the foreseeable future, the Group concluded that it no longer met the accounting criteria for consolidation of its Syrian subsidiaries due to a loss of control, and therefore it deconsolidated its Syrian subsidiaries effective as of 31 December 2016. The Group has determined the fair value of its investments in its Syrian subsidiaries to be insignificant based on its expectations of dividend payments in future periods.

The deconsolidation of the subsidiaries resulted in the recognition of a negative impact on the consolidated income statement for the year 2016, in the amount of LL 108,477 million, which includes:
• negative impact of LL 73,728 million resulting from losses from the translation into Lebanese Lira of the financial statements of the subsidiaries previously recognized in equity under foreign currency translation reserve and reclassified to the consolidated income statement (note 18); and
• negative impact of LL 34,749 million due to the full-write off of the net assets of the subsidiaries.

Cash and cash equivalents of the subsidiaries upon deconsolidation amounted to LL 229,622 million and are detailed as follows: LL 229,350 million, LL 140 million and LL 132 million related to Bank of Syria and Overseas SA (BSO), Syria International Insurance (AROPE Syria) SA, and Syria and Overseas Company for Financial Services (SOFS) respectively.

As a consequence of the deconsolidation, effective 1 January 2017, the Group shall no longer include the results of the Syrian subsidiaries in its consolidated financial statements. Further, dividends and inter-bank interest will be recorded as income and expense upon receipt or payment. The Group will monitor the extent of its ability to control its Syrian operations as its current situation in Syria may change over time and lead to consolidation at a future date.

15. PERSONNEL EXPENSES

LL Million	2017	2016
Salaries and related charges	150,888	149,463
Social security contributions	31,743	28,123
Provisions for retirement benefits obligation (note 38)	4,923	11,066
Additional allowances	46,108	43,724
Bonuses	83,956	79,670
	317,618	**312,046**

16. OTHER OPERATING EXPENSES

LL Million	2017	2016
Professional fees	20,727	18,751
Marketing and advertising	18,193	16,548
Maintenance and repairs	16,185	16,288
Provision for guarantee of deposits	15,844	15,560
Gifts and donations	10,495	11,121
Rent and related charges	10,211	10,105
Postage and telecommunications	10,185	10,348
Fiscal stamps	6,744	6,985
Stationary and printings	6,488	9,200
Taxes and fees	6,392	6,038
Subscriptions	5,883	7,157
Electricity and fuel	5,771	6,555
Loss on bad debts against real estate (a)	4,886	-
Travel expenses	4,774	5,448
Card expenses	4,132	4,018
Board of directors' attendance fees	2,164	2,431
Insurance	1,614	1,401
Provision for risks and charges (note 38 (i))	859	8,707
Provision on impairment of assets taken in settlement of debt (note 31)	110	109
Others	18,740	20,537
	170,397	**177,307**

(a) The Board of Directors of BLOM Bank SAL and BLOMInvest Bank SAL approved on 13 July 2017 and 12 July 2017 respectively to acquire a number of real estate plots mortgaged in favor of BLOM Bank SAL and BLOMInvest Bank SAL in full settlement of the participation loan (90% by BLOM Bank SAL and 10% by BLOMInvest Bank SAL) 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. The Group realized a loss of US$ 3,241,118 (LL 4,886 million) as a result of the settlement on this debt.

17. PROVISIONS FOR RISKS AND CHARGES

LL Million	2017	2016
Excess provisions to comply with the Central Bank of Lebanon Intermediate Circulars numbers 439 dated 8 November 2016 and 446 dated 30 December 2016 (note 38)	-	260,797

18. FOREIGN CURRENCY TRANSLATION LOSSES ON DECONSOLIDATION OF SUBSIDIARIES

LL Million	2017	2016
Foreign currency translation losses on deconsolidation of subsidiaries	-	73,728

Effective 31 December 2016, the Group has deconsolidated its three Syrian subsidiaries, Bank of Syria and Overseas SA (BSO), Syria International Insurance (AROPE Syria) SA, and Syria and Overseas Company for Financial Services (SOFS). Upon deconsolidation of these subsidiaries, the Group incurred foreign currency translation losses amounting to LL 73,728 million (note 14).

19. 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.

Reconciliation of total tax charge

The relationship between taxable profit and accounting profit is as follow:

LL Million	2017	2016
Profit before income tax	911,367	939,448
Less: Results of the subsidiary insurance company located in Lebanon(*)	(30,528)	(29,711)
Accounting profit before income tax	**880,839**	**909,737**
Add:		
Non-tax deductible provisions	110,026	371,904
Unrealized losses from revaluation of debt instruments and other financial assets at fair value through profit or loss	9,423	27
Net loss on disposal of fixed assets	623	-
Other non-tax deductible charges	40,780	40,740
	1,041,691	**1,322,408**
Less:		
Unrealized gains from revaluation of debt instruments and other financial assets at fair value through profit or loss	-	(19,938)
Dividends received and previously subject to income tax	(11,346)	(10,696)
Remunerations already taxed	(19,791)	(15,547)
4% of a subsidiary's capital eligible to be tax deductible	(400)	(400)
Release of provisions previously subject to income tax	(4,358)	(16,946)
Net gain on disposal of fixed assets	-	(106)
Other non-taxable income	(3,536)	(3,945)
Taxable profit	**1,002,260**	**1,254,830**
Effective income tax rate	19.73%	25.73%
Income tax expense in the consolidated income statement	**179,820**	**241,731**

(*) 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.

20. 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		2017	2016
Net profit for the year		731,547	697,717
Less: Proposed dividends on preferred shares		-	(21,105)
Non-controlling interests		(4,846)	(21,274)
Net profit attributable to ordinary equity holders of the parent		**726,701**	**655,338**
Weighted average number of ordinary shares for basic earnings per share		214,108,030	197,356,940
Basic earnings per share	LL	**3,394**	**3,321**

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.

21. CASH AND BALANCES WITH CENTRAL BANKS

LL Million	2017	2016
Cash on hand	266,712	232,633
Current accounts with Central Banks	1,676,025	1,918,128
Deposits with the Central Banks	22,687,754	15,840,408
	24,630,491	**17,991,169**

Cash and balances with the 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.

Balances available against obligatory reserves are as follows:

	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**

	2016		
LL Million	Lebanese Pounds	Foreign currency	Total
Obligatory reserve			
Central Bank of Lebanon	632,564	3,018,038	3,650,602
Other central banks	-	385,059	385,059
	632,564	**3,403,097**	**4,035,661**

22. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

LL Million	2017	2016
Current accounts		
Current accounts	**1,546,760**	**1,244,830**
Time deposits		
Time deposits	2,016,493	1,935,831
Doubtful accounts with banks	1,752	1,694
Less: Impairment allowance for doubtful accounts	(1,752)	(1,694)
	2,016,493	**1,935,831**
	3,563,253	**3,180,661**

Movement of impairment allowance for doubtful accounts with banks is as follows:

LL Million	2017	2016
Balance at 1 January	1,694	2,086
Unrealized interest	58	57
Deconsolidation of subsidiaries	-	(375)
Foreign exchange difference	-	(74)
Balance at 31 December	**1,752**	**1,694**

23. LOANS TO BANKS AND FINANCIAL INSTITUTIONS

LL Million	2017	2016
Loans to banks and financial institutions	44,182	60,108
Accrued interest receivable	331	445
Total	**44,513**	**60,553**

24. 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:

	2017			2016		
LL Million	Assets	Liabilities	Total notional amount	Assets	Liabilities	Total notional amount
Derivatives held-for-trading						
Currency options	9,980	9,980	40,040	15,182	15,182	120,530
Forward foreign exchange contracts	10,420	16,245	3,605,538	15,386	14,815	2,693,130
Equity swaps and options	1	1	2,260	2,106	2,106	591,326
Currency swaps	-	5,544	563,397	15,233	1,433	829,594
Interest rate swaps	-	-	2,186	-	-	-
	20,401	**31,770**	**4,213,421**	**47,907**	**33,536**	**4,234,580**
Hedge of net investment in foreign operations						
Forward foreign exchange contracts	**-**	**2,617**	**194,939**	**5,273**	**-**	**172,246**
	20,401	**34,387**	**4,408,360**	**53,180**	**33,536**	**4,406,826**

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 standardised 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 IAS 39 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 2017, the Group renewed its Forward foreign exchange contracts designated to hedge the net investment in its subsidiary in France. The notional amount of these contracts amounted to Euro 107,904 thousand (LL 194,939 million) as at 31 December 2017 (2016: LL 172,246 million). The forward foreign exchange contracts were revalued as of 31 December 2017 and resulted in unrealized loss of LL 2,617 million (2016: unrealized gain of LL 5,273 million). The contracts mature on 7 March 2018 at the latest.

No ineffectiveness from hedges of net investments in foreign operations was recognized in profit or loss during the year.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

LL Million	2017	2016
Equity instruments at fair value through profit or loss	197,762	185,196
Debt and other instruments at fair value through profit or loss	165,953	201,463
	363,715	**386,659**

Financial assets at fair value through profit or loss consist of the following:

LL Million	2017	2016
Quoted equity securities	181,102	171,138
Unquoted equity securities	16,660	14,058
Quoted government debt securities	41,270	80,880
Unquoted government debt securities	7,713	18,877
Quoted corporate debt securities	7,624	45,855
Unquoted corporate debt securities	1,970	2,029
Funds	107,376	50,523
Unquoted certificates of deposit – Central Banks	-	3,299
	363,715	**386,659**

26. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

LL Million	2017	2016
Commercial loans	6,873,260	6,793,812
Consumer loans (*)	4,906,477	4,450,660
	11,779,737	**11,244,472**
Less:		
Individual impairment allowances	(207,722)	(325,628)
Collective impairment allowances	(102,887)	(92,367)
Unrealized interest	(133,153)	(118,087)
	11,335,975	**10,708,390**

(*) Included under consumer loans as at 31 December 2017, an amount of LL 3,100,085 million (31 December 2016: LL 2,656,277 million) representing housing loans.

Movement of unrealized interest on substandard, doubtful, and bad loans during the years ended 31 December was as follows:

LL Million	2017	2016
Balance at 1 January	118,087	94,584
Add:		
Unrealized interest for the year	42,551	48,161
Transferred from HSBC Bank Middle East Limited - Lebanon	23,543	-
Transferred from commercial individual impairment allowances	155	-
	184,336	**142,745**
Less:		
Recoveries of unrealized interest (note 13)	(7,563)	(5,691)
Amounts written-off	(867)	(12,827)
Transferred to off-financial position	(41,485)	(2,271)
Transferred to impairment allowances on consumer loans	(1,144)	-
Deconsolidation of subsidiaries	-	(1,579)
Foreign exchange difference	(124)	(2,290)
Balance at 31 December	**133,153**	**118,087**
Unrealized interest on substandard loans	30,920	16,370
Unrealized interest on doubtful loans	102,233	101,717
	133,153	**118,087**

A reconciliation of the allowance for impairment losses for loans and advances, by class, is as follows:

	2017			2016		
LL Million	Commercial loans	Consumer loans	Total	Commercial loans	Consumer loans	Total
Balance at 1 January	345,290	72,705	417,995	276,248	85,016	361,264
Add:						
Charge for the year (note 13)	17,097	37,419	54,516	115,541	45,179	160,720
Transferred from provisions for risks and charges (note 38 (i))	-	-	-	849	-	849
Transferred from HSBC Bank Middle East Limited– Lebanon	11,079	4,292	15,371	-	-	-
Transferred from commercial to consumer loans	-	1	1	-	1,135	1,135
Transferred from unrealized interest	-	1,144	1,144	-	-	-
Foreign exchange difference	2,398	352	2,750	2,678	-	2,678
	375,864	**115,913**	**491,777**	**395,316**	**131,330**	**526,646**
Less:						
Provisions written-off	1,597	2,969	4,566	250	1,404	1,654
Write-back of provisions (note 13)	6,999	13,371	20,370	16,077	11,966	28,043
Transferred to off financial position	130,344	22,939	153,283	12,522	25,354	37,876
Transferred to provisions for risks and charges	2,782	11	2,793	-	-	-
Transferred to unrealized interest	155	-	155	-	-	-
Transferred from commercial to consumer loans	1	-	1	1,135	-	1,135
Reversal of provisions transferred from provisions for risks and charges related to a deconsolidated subsidiary (note 38)	**-**	**-**	**-**	**16,339**	**13,575**	**29,914**
Deconsolidation of subsidiaries	**-**	**-**	**-**	**3,703**	**884**	**4,587**
Foreign exchange difference	**-**	**-**	**-**	**-**	**5,442**	**5,442**
	141,878	**39,290**	**181,168**	**50,026**	**58,625**	**108,651**
Balance at 31 December	**233,986**	**76,623**	**310,609**	**345,290**	**72,705**	**417,995**
Individual impairment	160,780	46,942	207,722	276,923	48,705	325,628
Collective impairment	73,206	29,681	102,887	68,367	24,000	92,367
	233,986	**76,623**	**310,609**	**345,290**	**72,705**	**417,995**
Gross amount of loans individually determined to be impaired	**275,756**	**93,617**	**369,373**	**394,172**	**80,982**	**475,154**

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 648,311 million as of 31 December 2017 (2016: LL 313,563 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 99,084 million as of 31 December 2017 (LL 215,389 million as of 31 December 2016). The collateral consists of cash, securities, letters of guarantee and properties.

The movement of allowance for impairment losses and allowance for unrealized interest against fully impaired loans included in the off financial position accounts is as follows:

LL Million	2017	2016
Balance at 1 January	313,563	338,476
Add:		
Unrealized interest for the year	36,318	18,628
Provision and unrealized interest transferred from the statement of financial position	194,768	40,147
Transferred from HSBC Bank Middle East Limited – Lebanon	109,895	-
Foreign exchange difference	2,426	-
	656,970	**397,251**
Less:		
Provisions written-back (note 13)	(7,492)	(3,342)
Unrealized interest written-back (note 13)	(68)	-
Amounts written-off	(1,099)	(2,840)
Deconsolidation of subsidiaries	-	(18,295)
Foreign exchange difference	-	(59,211)
	(8,659)	**(83,688)**
Balance at 31 December	**648,311**	**313,563**

27. FINANCIAL ASSETS AT AMORTIZED COST

LL Million	2017	2016
Quoted		
Government debt securities	541,867	2,005,012
Corporate debt securities	832,221	1,310,318
	1,374,088	**3,315,330**
Unquoted		
Government debt securities	2,991,927	4,456,770
Government debt securities – denominated in LL, given as collateral (*)	1,392,525	-
Corporate debt securities	32,704	54,340
Certificates of deposit – Central Banks	2,066,744	2,806,799
Certificates of deposit – Commercial banks and financial institutions	4,024	366,674
	6,487,924	**7,684,583**
Allowance for impaired financial assets	(5,637)	(4,980)
	7,856,375	**10,994,933**

The movement of allowance for impaired financial assets is as follows:

LL Million	2017	2016
Balance at 1 January	4,980	5,138
Translation difference	657	(158)
	5,637	**4,980**

(*) This balance represents Lebanese treasury bills pledged as collateral against loans obtained from the Central Bank of Lebanon (note 34).

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

LL Million	2017	2016
Equity securities	2,059	2,093
Funds	2,165	1,722
	4,224	**3,815**

The table below details the financial assets at fair value through other comprehensive income as at 31 December:

	2017			2016		
LL Million	Carrying amount	Cumulative fair value changes	Dividend income	Carrying amount	Cumulative fair value changes	Dividend income
Equity securities	2,059	(410)	340	2,093	(92)	435
Funds	2,165	1,024	-	1,722	642	-
	4,224	**614**	**340**	**3,815**	**550**	**435**

Dividend income amounted to LL 340 million for the year ended 31 December 2017 (2016: LL 435 million) and resulted from equity instruments held at year end (2016: the same).

29. 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 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**

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 2016	496,053	7,070	333,950	85,019	922,092
Additions	56,387	1,077	14,013	79,352	150,829
Disposals	-	(722)	(2,141)	-	(2,863)
Transfers	13,683	-	7,089	(24,044)	(3,272)
Deconsolidation of subsidiaries	(7,391)	(70)	(4,082)	(3,963)	(15,506)
Translation difference	(38,367)	(950)	(40,282)	(4,845)	(84,444)
At 31 December 2016	**520,365**	**6,405**	**308,547**	**131,519**	**966,836**
Depreciation					
At 1 January 2016	74,018	3,206	200,754	-	277,978
Charge for the year	10,003	1,378	24,381	-	35,762
Relating to disposals	-	(694)	(2,033)	-	(2,727)
Transfers	247	-	(247)	-	-
Deconsolidation of subsidiaries	(1,502)	(46)	(3,456)	-	(5,004)
Translation difference	(11,669)	(750)	(30,194)	-	(42,613)
At 31 December 2016	**71,097**	**3,094**	**189,205**	**-**	**263,396**
Net carrying value At 31 December 2016	**449,268**	**3,311**	**119,342**	**131,519**	**703,440**

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".

30. INTANGIBLE ASSETS

LL Million	Software development	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**

LL Million	Software development	Key money	Advances on acquisition of intangible assets	Total
Cost				
At 1 January 2016	21,095	3,860	52	25,007
Additions	1,444	-	58	1,502
Disposals	(127)	-	-	(127)
Transfers	156	-	(85)	71
Deconsolidation of subsidiaries	(154)	(265)	-	(419)
Translation difference	(558)	(195)	(1)	(754)
At 31 December 2016	**21,856**	**3,400**	**24**	**25,280**
Amortization				
At 1 January 2016	16,308	3,509	-	19,817
Charge for the year	3,984	68	-	4,052
Relating to disposals	(127)	-	-	(127)
Deconsolidation of subsidiaries	(150)	(153)	-	(303)
Translation difference	(512)	(129)	-	(641)
At 31 December 2016	**19,503**	**3,295**	**-**	**22,798**
Net carrying value At 31 December 2016	**2,353**	**105**	**24**	**2,482**

31. ASSETS OBTAINED IN SETTLEMENT OF DEBT

LL Million	2017	2016
Cost		
At 1 January	55,019	43,200
Additions	14,577	20,676
Disposals	(4,453)	(2,472)
Transfers	(7)	-
Deconsolidation of subsidiaries	-	(21)
Translation difference	179	(6,600)
At 31 December	**65,315**	**54,783**
Impairment		
At 1 January	(5,263)	(5,162)
Charge for the year (note 16)	(110)	(109)
Write-back (note 12)	749	236
Translation difference	(11)	8
At 31 December	**(4,635)**	**(5,027)**
Net carrying value At 31 December	**60,680**	**49,756**

32. OTHER ASSETS

LL Million	2017	2016
Reinsurer's share of technical reserves	61,375	52,089
Prepaid expenses	28,492	20,473
Insurer deffered acquisition cost	18,975	17,956
Sundry debtors (ii)	16,101	14,083
Payments on behalf of HSBC Bank Middle East Limited– Lebanon (*)	8,461	-
Compulsory deposits (i)	6,175	6,168
Customers' transactions between head office and branches	4,035	925
Other revenues to be collected	3,972	3,115
Precious metals and stamps	1,046	1,130
Other assets	50,865	40,498
	199,497	**156,437**

(*) 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 subsequently on 23 January 2018.

(i) 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	2017	2016
BLOMInvest Bank SAL	1,500	1,500
BLOM Development Bank SAL	4,500	4,500
BLOM Bank France SA	121	114
BLOM Securities	54	54
	6,175	**6,168**

(ii) Sundry debtors

LL Million	2017	2016
Sundry debtors	17,511	15,493
Less: Provision against sundry debtors	(1,410)	(1,410)
	16,101	**14,083**

The movement of provision against sundry debtors is summarized as follows:

LL Million	2017	2016
Balance at 1 January	1,410	1,410
Charge for the year (note 13)	-	33
Write-back of provisions (note 13)	-	(33)
Balance at 31 December	**1,410**	**1,410**

33. BUSINESS COMBINATIONS AND GOODWILL

(a) GOODWILL

LL Million	2017	2016
Cost		
At 1 January	21,365	47,876
Goodwill arising on acquisition (b)	89,720	-
Translation difference	46	(26,511)
At 31 December	**111,131**	**21,365**
Impairment:		
At 1 January	(19,415)	-
Impairment for the year	(89,720)	(19,415)
At 31 December	**(109,135)**	**(19,415)**
Net book value:		
At 31 December	**1,996**	**1,950**

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 reorganization. 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 2017 and 2016.

As at 31 December, the carrying amount of goodwill was allocated to the following CGUs:

LL Million	2017	2016
Asset management and private banking - Switzerland	1,226	1,181
Asset management and private banking – Egypt	770	769
	1,996	**1,950**

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	2017	2016
Commercial Banking – Egypt	-	19,415
Commercial Banking (HSBC) – Lebanon	89,720	-
	89,720	**19,415**

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 recognised for the year ended 31 December 2017.

COMMERCIAL BANKING – EGYPT

The Commercial Banking CGU in Egypt is a separate legal entity offering Commercial Banking activities to its customers and is reported mainly under the treasury, Corporate and retail Banking business segments and the International geographical segment. The recoverable amount of this CGU of LL 183,934 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 3%. 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 19,415 million was recognised for the year ended 31 December 2016.

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 summarised 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).

COMMERCIAL BANKING – EGYPT (31 DECEMBER 2016)		
Interest margins	Interest margins are based on current fixed interest yields.	A decrease of 0.05% causes a decrease in the value in use by 4.53% (LL 8,336 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 1.70% (LL 3,130 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 1.92% (LL 3,526 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)**

34. DUE TO CENTRAL BANKS AND REPURCHASE AGREEMENTS

LL Million	2017	2016
Central Bank of Lebanon (a)	511,856	493,762
Central Bank of Lebanon (b)	1,707,573	-
Central Bank of Jordan	22,845	20,398
Accrued interest payable	12,671	4,861
	2,254,945	**519,021**
Central Bank of Egypt – repurchase agreements	**7,263**	**2,930**
	2,262,208	**521,951**

(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. As of 31 December 2017, the Group obtained facilities amounting to LL 511,856 million (31 December 2016: LL 493,762 million).

(b) During 2017, the Group obtained loans from the Central Bank of Lebanon amounting to LL 1,707,573 million. Out of these loans, LL 1,392,525 million are secured by the pledge of Lebanese treasury bills having maturities ranging between the years 2022 and 2027 and are included under financial assets at amortized cost as of 31 December 2017 (note 27) and the balance is secured by a term deposit.

35. DUE TO BANKS AND FINANCIAL INSTITUTIONS

LL Million	2017	2016
Current accounts	276,549	282,609
Time deposits	248,524	273,390
Loans	53,612	34,809
	578,685	**590,808**

36. CUSTOMERS' DEPOSITS AT AMORTIZED COST

LL Million	2017	2016
Customers' deposits at amortized cost		
Sight deposits	5,631,782	4,909,865
Time deposits	19,512,803	16,740,727
Saving accounts	12,959,282	13,234,520
Credit accounts and deposits against debit accounts	1,806,653	2,213,873
Margins on letters of credit	66,499	40,842
Balance at 31 December	**39,977,019**	**37,139,827**

Customers' deposits include coded deposit accounts in BLOM Bank SAL and BLOMInvest Bank SAL amounting to LL 24,223 million as of 31 December 2017 (2016: LL 34,648 million).

37. OTHER LIABILITIES

LL Million	2017	2016
Unearned premiums and liability related to insurance contracts	323,981	304,362
Sundry creditors	94,230	96,116
Current tax liabilities	146,174	210,736
Accrued expenses	68,867	56,735
Regularization accounts	98,835	108,953
Other taxes due	61,587	32,393
Dividends payable	1,543	796
Other liabilities	22,181	11,997
	817,398	**822,088**

38. PROVISIONS FOR RISKS AND CHARGES

LL Million	2017	2016
Deferred revenues (*)	76,380	166,100
Excess provisions to comply with the Central Bank of Lebanon Intermediate Circulars number 439 dated 8 November 2016 and 446 dated 30 December 2016 (**) (note 17)	260,797	260,797
Provision for risks and charges (i)	49,646	54,106
Provision for outstanding claims and IBNR reserves related to subsidiary-insurance companies	52,176	41,789
Retirement benefits obligation (ii)	69,882	65,919
Provision on commitment by signature (iii)	3,956	3,883
Other provisions	10,587	1,058
Balance at 31 December	**523,424**	**593,652**

(*) 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 the shortage needed to comply with the capital adequacy requirements, if any. 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. The remaining balance of the gain net of tax should be maintained within deferred revenue and qualifies for inclusion within regulatory Tier 2 Capital in accordance with the provisions of the circular.

For the year ended 31 December 2016, the Group did not recognise in its consolidated income statement LL 166,100 million (net of tax) in gains realized from certain financial transactions with the Central Bank of Lebanon. This amount was recorded as "Deferred revenue" and the related taxes amounting to LL 29,312 million were recorded directly in current tax liability as of 31 December 2016. Besides, during 2017, the Group released an amount of LL 89,720 million (net of tax) from "Deferred revenue" whereby LL 105,552 million gross of tax were recognised in the Income Statement for the year ended 31 December 2017 under "Other operating income" and LL 15,832 million under "Income tax expense".

(**) During November 2016, the Central Bank of Lebanon issued Intermediate Circular number 439 which required banks operating in Lebanon to constitute collective provisions equivalent to 2% of consolidated risk weighted loans and advances to customers. As such, provisions for risks and charges as at 31 December 2016 and 2017 include an amount of LL 260,797 million in excess of the provisioning requirements of IAS 39.

(i) Provisions for risks and charges

LL Million	2017	2016
Balance at 1 January	54,106	43,997
Charge for the year (note 16)	859	8,707
Provisions paid during the year	(128)	(429)
Provisions written-back during the year (note 12)	(4,312)	(11,935)
Provisions written-off during the year	(89)	-
Transfers from provisions on commitment by signature	-	8
Provision transferred to specific impairment on commercial loans (note 26)	-	(849)
Transfer from impairment allowance provisions (note 26)	-	29,914
Reversal of transfer to provision on commitment by signature related to a deconsolidated subsidiary (iii)	-	413
Deconsolidation of subsidiaries	-	(6,183)
Exchange difference	(790)	(9,537)
Balance at 31 December	**49,646**	**54,106**

(ii) Retirement benefits obligation

LL Million	2017	2016
Balance at 1 January	65,919	64,265
Charge for the year (note 15)	4,923	11,066
Transferred from HSBC Bank Middle East Limited – Lebanon Branch	3,400	-
Benefits paid	(4,532)	(3,956)
Exchange difference	172	(5,456)
Balance at 31 December	**69,882**	**65,919**

(iii) Provision on commitment by signature

LL Million	2017	2016
Balance at 1 January	3,883	12,341
Charge for the year (note 13)	78	1,425
Transfers to excess provisions to comply with the Central Bank of Lebanon Intermediate Circulars number 439 dated 8 November 2016 and 446 dated 30 December 2016	(8)	-
Provisions written-back during the year (note 13)	-	(1,294)
Provisions written-off	-	(66)
Transfers to provision for risks and charges	-	(8)
Reversal of provisions transferred from provisions for risks and charges related to a deconsolidated subsidiary	-	(413)
Deconsolidation of subsidiaries	-	(7,694)
Exchange difference	3	(408)
Balance at 31 December	**3,956**	**3,883**

39. SHARE CAPITAL AND PREMIUMS

LL Million	2017		2016	
	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 2017 (31 December 2016: 215,000,000 shares at LL 1,200 per share)	322,500	374,059	258,000	374,059

LL Million	2017 Share capital	2017 Share premium	2016 Share capital	2016 Share premium
Preferred shares – Authorized, issued and fully paid (*)				
20,000,000 preferred shares (2011 issue) at LL 1,200 per share as of 31 December 2016	-	-	**24,000**	**277,500**

According to the provisions of Law no 308 dated 3 April 2001, the Extraordinary General Assembly Meeting of Shareholders held on 4 April 2011, resolved to issue preferred shares at the following conditions:

	2011 issue
Number of shares	20,000,000
Par value of issued shares (LL 1,200 share)	LL 24,000 million
Premium (denominated in USD)	LL 277,500 million (USD 184,080 thousands)
Non cumulative benefits	2011 distributions to be based on a fixed amount of USD 0.7 per share (subject to the approval of the Shareholders' General Assembly Meeting and the availability of a non-consolidated distributable net income for the year).

These preferred shares are redeemable 60 days after the annual general assembly dealing with the accounts for the year 2016 at the discretion of the Bank at the issue price.

(*) Based on the resolution of the Extraordinary General Assembly of BLOM Bank SAL dated 28 April 2017, the Group decided to call and cancel all preferred shares (2011 issue) consisting of 20,000,000 shares of par value LL 1,200 per share, for a purchase price of LL 301,500 million representing share capital of LL 24,000 million and share premium of LL 277,500 million; with the simultaneous transfer of an amount of LL 64,500 million from "Reserve for increase of share capital" to "share capital- common shares"; so that the balance of the share capital- common shares increases from LL 258,000 million to LL 322,500 million; through the increase in the par value per share from LL 1,200 per share to LL 1,500. The approval of the Central Council of the Central Bank of Lebanon was obtained on 6 June 2017.

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 (2016: the same).

40. NON DISTRIBUTABLE RESERVES

LL Million	Reserve for general banking risks	Legal reserve	Reserve for increase of share capital	Other reserves	Total
At 1 January 2016	409,185	486,823	102,542	63,785	1,062,335
Appropriation of 2015 profits	33,744	52,513	18,062	5,171	109,490
Net gain on sale of treasury shares	-	-	22,892	-	22,892
Transfer due to deconsolidated entities	(1,008)	(929)	-	(139)	(2,076)
Other adjustments	1	9	1	-	11
At 31 December 2016	**441,922**	**538,416**	**143,497**	**68,817**	**1,192,652**
Capital increase (note 39)	-	-	(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 31 December 2017	**476,878**	**602,729**	**155,995**	**77,176**	**1,312,778**

Reserve for general banking risks

According to the Central Bank of Lebanon regulations, banks in Lebanon are required to appropriate from their annual net profit a minimum of 0.2 percent and a maximum of 0.3 percent of total risk weighted assets and off statement of financial position items based on rates specified by the Central Bank of Lebanon to cover general banking risks. The consolidated ratio should not be less than 2 percent by the year 2017. This reserve is part of the Group's equity and cannot be distributed as dividends.

The appropriation in 2017 from the profits of the year 2016 amounted to LL 34,957 million (2016: LL 33,744 million).

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 2017, the Group appropriated LL 64,316 million from 2016 profits to the legal reserve in accordance with the General Assembly of Shareholders' resolution (2016: LL 52,513 million).

Reserve for increase of share capital

The balance amounting to LL 155,995 million (2016: LL 143,497 million) represents a regulatory reserve pursuant to regulatory circulars. This reserve cannot be distributed as dividends.

Details of the reserve for increase of share capital are as follows:

LL Million	2017	2016
Recoveries of provisions for doubtful debts and reserves for assets taken in recovery of debts	95,768	86,678
Revaluation reserves for fixed assets sold	668	668
Gain on sale of treasury shares	59,456	56,048
Transfer from other reserves	102	102
Other adjustments	1	1
	155,995	**143,497**

Other reserves

Other reserves consist mainly of reserves for retail loans for banks operating in Lebanon pursuant to BCC Circular no. 280 dated 2 January 2015, and of non-distributable reserves of subsidiaries appropriated from retained earnings as required by the regulators where the Group operates. During 2017, the Group transferred an amount of LL 4,992 million from retained earnings to other reserves (2016: LL 5,171 million).

41. DISTRIBUTABLE RESERVES

LL Million	2017	2016
General reserves	**601,207**	**559,860**

General reserves

The Group appropriates general reserves from its retained earnings to strengthen its equity. This reserve amounting to LL 601,207 million (2016: LL 559,860 million) is available for dividend distribution.

42. TREASURY SHARES

Movement of treasury shares recognized in the consolidated statement of financial position is as follows:

	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**

	2016	
	No. of common shares	Amount LL Million
At 1 January	13,631,486	180,708
Purchase of treasury shares	15,456,819	122,590
Sale of treasury shares	(19,867,654)	(286,357)
At 31 December	**9,220,651**	**16,941**

The treasury shares represent 774,034 Global Depositary Receipts (GDR) and 7,793,016 ordinary shares owned by the Group as at 31 December 2017 (2016: 557,484 Global Depository Receipts (GDR) and 8,663,167 ordinary shares).

The Group realized a gain of LL 3,408 million from the sale of treasury shares during the year 2017 (2016: gain of LL 22,892 million). Gains and losses are reflected in the "Non-distributable reserves".

43. RETAINED EARNINGS

As of 31 December, retained earnings include the following non-distributable amounts:

LL Million	2017	2016
Group's share of accumulated unrealized gain on revaluation of structural position of subsidiary bank (*)	13,008	11,724
Unrealized gain on financial assets at fair value through profit or loss	79,669	54,915
Earnings distributable subject to Central Bank of Egypt approval	13,120	6,344
	105,797	**72,983**

(*) This related to BLOM Bank France SA – Romania Branch as at 31 December 2017 (2016: the same).

PROPOSED DIVIDENDS

In its meeting held on 16 March 2018, the Board of Directors of the Bank resolved to propose to the annual Ordinary General Assembly the distribution of dividends of LL 1,700 per common share before any deduction for taxes. These dividends are subject to the General Assembly's approval.

44. REVALUATION RESERVE OF REAL ESTATE

LL Million	2017	2016
Revaluation reserve accepted in Tier II capital	**14,727**	**14,727**

45. 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	2017	2016
At 1 January	550	333
Net changes in fair values during the year	64	237
Translation difference	-	(20)
Balance at 31 December	**614**	**550**

46. CASH AND CASH EQUIVALENTS

LL Million	2017	2016
Cash and balances with central banks	2,485,030	2,855,865
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	2,857,593	2,522,567
	5,342,623	**5,378,432**
Less:		
Due to central banks	(24,435)	(15,358)
Repurchase agreements	(7,263)	(2,930)
Due to banks and financial institutions (whose original maturities are less than 3 months)	(460,237)	(392,652)
	4,850,688	**4,967,492**

47. DIVIDENDS DECLARED AND PAID

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.

According to the resolution of the General Assembly meeting held on 14 April 2016 the following dividends were declared and paid, from the 2015 profits.

	2016		
	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	201,947,911	1,250.00	252,435
			273,540

The dividends on common shares, declared on 14 April 2016, were paid net of the treasury shares as of that date.

48. 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:

	2017		
	Key management personnel	Other related parties	Total
LL Million	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**

	2016		
	Key management personnel	Other related parties	Total
LL Million	Outstanding balance	Outstanding balance	Outstanding balance
Deposits	122,419	140,071	**262,490**
Net loans and advances	74,520	17,037	**91,557**
Guarantees given	4,238	55	**4,293**

Related party transactions included in the Group's Income Statement are as follows for the year ended 31 December:

	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**

	2016		
LL Million	Key management personnel	Other related parties	Total
Interest paid on deposits	2,286	8,404	**10,690**
Interest received from net loans and advances	425	596	**1,021**
Rent expense	-	775	**775**

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	2017	2016
Short-term benefits	**56,512**	**56,124**
Post-employment benefits (charge for the year)	**646**	**5,860**

Short-term benefits comprise of salaries, bonuses, profit-sharing, attendance fees and other benefits.

49. 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.

	2017		
LL Million	Banks	Customers	Total
Guarantees issued	29,498	855,640	885,138
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	509,712	63,531	573,243
	2,190,461	**3,068,549**	**5,259,010**

	2016		
LL Million	Banks	Customers	Total
Guarantees issued	33,671	647,302	680,973
Commitments			
Documentary credits	142,930	-	142,930
Loan commitments	-	1,565,677	1,565,677
Of which revocable	-	*1,214,231*	*1,214,231*
Of which irrevocable	-	*351,446*	*351,446*
Other commitments	1,327,664	52,763	1,380,427
	1,504,265	**2,265,742**	**3,770,007**

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 and operating lease commitments

Capital expenditures and lease payments that were not provided for as of the consolidated statement of financial position date are as follows:

LL Million	2017	2016
Capital commitments		
Property and equipment	**15,124**	**15,379**
Operating lease commitments – Group as lessee		
Future minimum lease payments under operating leases:		
During one year	4,699	1,964
More than 1 year and less than five years	14,149	5,165
More than five years	12,474	3,218
Total operating lease commitments at the consolidated statement of financial position date	**31,322**	**10,347**

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 have issued a final report on 27 February 2018 resulting in additional taxes of LL 3,460 million. The Bank's books in Lebanon remain subject to the review by the tax authorities for the period from 1 January 2015 until 31 December 2017. 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 2017. 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.

50. ASSETS HELD IN CUSTODY AND UNDER ADMINISTRATION

LL Million	2017	2016
Assets held in custody and under administration	**11,820,643**	**10,736,739**

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.

51. 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:

	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:				
Quoted equity securities	181,102	-	-	**181,102**
Unquoted equity securities	-	16,660	-	**16,660**
Quoted government debt securities	41,270	-	-	**41,270**
Unquoted government debt securities	-	7,713	-	**7,713**
Quoted corporate debt securities	7,624	-	-	**7,624**
Unquoted corporate debt securities	-	1,970	-	**1,970**
Funds	-	-	107,376	**107,376**
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	-	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**

	2016			
	Valuation techniques			
LL Million	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments:				
Currency swaps and options	-	30,415	-	**30,415**
Forward foreign exchange contracts	-	15,386	-	**15,386**
Equity swaps and options	-	2,106	-	**2,106**
Forward foreign exchange contracts used for hedging purposes	-	5,273	-	**5,273**
Financial assets at fair value through profit or loss:				
Quoted equity securities	171,138	-	-	**171,138**
Unquoted equity securities	-	14,058	-	**14,058**
Quoted government debt securities	80,880	-	-	**80,880**
Unquoted government debt securities	-	18,877	-	**18,877**
Quoted corporate debt securities	45,855	-	-	**45,855**
Unquoted corporate debt securities	-	2,029	-	**2,029**
Funds	-	-	50,523	**50,523**
Unquoted certificates of deposit – Central Banks	-	3,299	-	**3,299**
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	-	2,093	-	**2,093**
Funds	-	-	1,722	**1,722**
Financial liabilities:				
Derivative financial instruments:				
Currency swaps and options	-	16,615	-	**16,615**
Forward foreign exchange contracts	-	14,815	-	**14,815**
Equity swaps and options	-	2,106	-	**2,106**

There were no transfers between levels during 2017 (2016: the same).

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 deposits 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:

	2017		2016	
LL Million	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and balances with central banks	24,630,491	25,848,354	17,991,169	18,256,952
Due from banks and financial institutions	3,563,253	3,562,815	3,180,661	3,180,464
Loans to banks and financial institutions	44,513	45,263	60,553	61,457
Net loans and advances to customers at amortized cost	11,335,975	11,367,681	10,708,390	10,749,331
Net loans and advances to related parties at amortized cost	28,145	28,215	91,557	91,869
Debtors by acceptances	150,791	150,791	113,492	113,492
Financial assets at amortized cost	7,856,375	7,776,915	10,994,933	10,961,301
Government debt securities	*4,920,682*	*4,882,512*	*6,456,802*	*6,465,251*
Certificates of deposit – Central Banks	*2,066,744*	*2,001,965*	*2,806,799*	*2,749,408*
Corporate debt securities	*864,925*	*888,414*	*1,364,658*	*1,385,456*
Certificates of deposit – Commercial banks and financial institutions	*4,024*	*4,024*	*366,674*	*361,186*
Financial liabilities				
Due to central banks	2,254,945	2,254,945	519,021	346,092
Repurchase agreements	7,263	7,263	2,930	2,930
Due to banks and financial institutions	578,685	578,682	590,808	590,785
Customers' deposits at amortized cost	39,977,019	40,157,487	37,139,827	37,244,454
Deposits from related parties at amortized cost	185,571	185,710	262,490	262,914
Engagements by acceptances	150,791	150,791	113,492	113,492

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.

	2017			
	Valuation techniques			
LL Million	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**
Financial assets at amortized cost:				
Government debt securities	*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 – Commercial banks and financial institutions	-	*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**

	2016			
	Valuation techniques			
LL Million	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed:				
Cash and balances with central banks	232,633	18,024,319	-	**18,256,952**
Due from banks and financial institutions	-	3,180,464	-	**3,180,464**
Loans to banks and financial institutions	-	61,457	-	**61,457**
Net loans and advances to customers at amortized cost	-	-	10,749,331	**10,749,331**
Net loans and advances to related parties at amortized cost	-	-	91,869	**91,869**
Financial assets at amortized cost:				
Government debt securities	*1,961,282*	*4,503,969*	-	***6,465,251***
Certificates of deposit - Central Banks	-	*2,749,408*	-	***2,749,408***
Corporate debt securities	*1,331,037*	*54,419*	-	***1,385,456***
Certificates of deposit - Commercial banks and financial institutions	-	*361,186*	-	***361,186***
Liabilities for which fair values are disclosed:				
Due to central banks	-	346,092	-	**346,092**
Repurchase Agreements	-	2,930	-	**2,930**
Due to banks and financial institutions	-	590,785	-	**590,785**
Customers' deposits at amortized cost	-	37,244,454	-	**37,244,454**
Deposits from related parties at amortized cost	-	262,914	-	**262,914**

52. 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:

	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**

	2016		
LL Million	Less than one year	More than one year	Total
Assets			
Cash and balances with central banks	3,912,272	14,078,897	17,991,169
Due from banks and financial institutions	3,116,429	64,232	3,180,661
Loans to banks and financial institutions	19,194	41,359	60,553
Derivative financial instruments	53,180	-	53,180
Financial assets at fair value through profit or loss	45,767	340,892	386,659
Net loans and advances to customers at amortized cost	8,493,654	2,214,736	10,708,390
Net loans and advances to related parties at amortized cost	78,833	12,724	91,557
Debtors by acceptances	104,595	8,897	113,492
Financial assets at amortized cost	2,135,446	8,859,487	10,994,933
Financial assets at fair value through other comprehensive income	-	3,815	3,815
Property and equipment	-	703,440	703,440
Intangible assets	-	2,482	2,482
Assets obtained in settlement of debt	-	49,756	49,756
Other assets	145,972	10,465	156,437
Goodwill	-	1,950	1,950
Total assets	**18,105,342**	**26,393,132**	**44,498,474**
Liabilities			
Due to central banks	73,237	445,784	519,021
Repurchase Agreements	2,930	-	2,930
Due to banks and financial institutions	555,394	35,414	590,808
Derivative financial instruments	33,536	-	33,536
Customers' deposits at amortized cost	36,649,515	490,312	37,139,827
Deposits from related parties at amortized cost	262,315	175	262,490
Engagements by acceptances	104,595	8,897	113,492
Other liabilities	720,070	102,018	822,088
Provisions for risks and charges	48,499	545,153	593,652
Total liabilities	**38,450,091**	**1,627,753**	**40,077,844**
Net	**(20,344,749)**	**24,765,379**	**4,420,630**

53. 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 to the 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 Chief Risk Officer undertakes his responsibilities through the "Risk Management Division" in Beirut which also acts as Group Risk Management, overseeing and monitoring risk management activities throughout the Group. The Chief Risk Officer is responsible for establishing the function of Risk Management and its employees across the Group.

BLOM Bank's Group Risk Management aids executive management in monitoring, controlling and actively managing and mitigating the Group's overall risk. The Division mainly ensures that:

- 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 Policy". 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 II and Basel III frameworks as well as all related regulatory requirements within the Group. Pillar I capital adequacy calculations have been generated since December 2004, while preparations for moving on to the more advanced approaches of pillar I have been initiated. Group 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 on an individual and consolidated basis. The Group has documented a Board approved Disclosure Policy.

Excessive risk concentration

Concentrations arise when the Group has significant exposure to one borrower or a group of related borrowers or to a number of counter parties engaging in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance developments affecting a particular industry or geographic location.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly. The Group applies stress testing on its concentrations in order to assess their effect on the Group financial standing and capital adequacy in a stressed situation.

53.1 Credit Risk

Credit risk is the risk that one party or group of related parties fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter parties, and continuously assessing the creditworthiness of counter parties.

The Group manages credit risk in line with the guidelines set by the Basel Framework and regulatory guidance. The Group has set a credit risk policy which lays down norms for credit risk governance, methodologies and procedures for credit risk management and measurement. It consists of the following:

- The permissible activities, segments, programs and services that the Group intends to deliver and the acceptable limits;
- The mechanism of the approval on credit-facilities;
- The mechanism for managing and following up credit-facilities; and
- The required actions for analyzing and organizing credit files.

The debt securities included in investments are mainly sovereign risk and standard grade securities. For details of the composition of the net loans and advances refer to note 26. Information on credit risk relating to derivative instruments is provided in note 24 and for commitments and contingencies in note 49. The information on the Group's net maximum exposure by economic sectors is given in note (A) below.

The Group's Risk Management is designed to identify and to set appropriate risk limits and to monitor the risk adherence to limits. Actual exposures against limits are monitored daily, monthly and periodically.

Management is responsible for monitoring the risk profile of the Group's loan portfolio by producing internal reports highlighting any exposure of concern in corporate, commercial and consumer lending. The Group examines the level of concentration whether by credit quality, client groupings or economic sector and collateral coverage. Further, the Group monitors non-performing loans and takes the required provisions for these loans.

The Group in the ordinary course of lending activities holds collaterals and guarantees as security to mitigate credit risk in the net loans and advances. Collaterals and guarantees are continuously monitored and revaluated. These collaterals mostly include cash collateral, quoted shares and debt securities, real estate mortgages, personal guarantees and others. In addition, the Recovery Unit in the Group dynamically manages and takes remedial actions for non-performing loans.

The Group applies the BDL risk rating classifications in addition to an internal rating system for its Corporate and Small and Medium Enterprises (SMEs) that provides a rating at client level and at transaction level. Each individual borrower is rated based on an internally developed debt rating model that evaluates risk based on financial as well as qualitative inputs. The BDL classification system includes six grades, of which three grades relate to the performing portfolio (regular credit facilities: risk ratings "1" and "2" and special mention – watch list: risk rating "3"), one grade relates to substandard loans (risk rating "4") and two grades relate to non-performing loans (risk ratings "5" and "6"). Credit cards, personal loans, car loans, housing loans and other retail loans are classified as regular as they are performing and have timely repayment with no past dues; except for those loans that have unsettled payments due for more than 90 days. The associated loss estimate norms for each grade have been calculated based on the Group's historical default rates for each rating. These risk ratings are reviewed on a regular basis.

Introduction of the Moody's Risk Analyst credit analysis and internal ratings system in the domestic market has provided the Group with an additional tool to enhance risk measurement and assessment of the corporate and commercial loan portfolios. This system was extended to all group entities.

At the same time, implementation of consumer loan application scorecards will aid significantly in meeting Basel II requirements for the retail portfolio as well as making available new quality management resources.

Non-performing loans are closely monitored and well provisioned as required with remedial actions taken and managed proactively by a dedicated Recovery Unit. In line with Basel II, the Group considers payments that are past due for more than 90 days as being non-performing.

A- Analysis of risk concentration

The following table shows the maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, by geography of counterparty before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

	2017		
LL Million	Domestic	International	Total
Financial assets			
Balances with central banks	22,769,453	1,594,326	24,363,779
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
Government debt securities	*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
Government debt securities	*3,177,256*	*1,743,426*	*4,920,682*
Corporate debt securities	*37,749*	*827,176*	*864,925*
Certificates of deposit – Central Banks	*1,862,668*	*204,076*	*2,066,744*
Certificates of deposit – Commercial banks and financial institutions	*4,024*	-	*4,024*
Financial assets at fair value through other comprehensive income	-	4,224	4,224
Total credit exposure	**36,262,834**	**11,468,337**	**47,731,171**

LL Million	2016 Domestic	2016 International	2016 Total
Financial assets			
Balances with central banks	16,145,295	1,613,241	17,758,536
Due from banks and financial institutions	513,322	2,667,339	3,180,661
Loans to banks and financial institutions	26,779	33,774	60,553
Derivative financial instruments	21,133	32,047	53,180
Financial assets at fair value through profit or loss	138,979	247,680	386,659
Government debt securities	*99,757*	-	*99,757*
Corporate debt securities	*273*	*47,611*	*47,884*
Certificates of deposit – Central Banks	*3,299*	-	*3,299*
Funds	*19,156*	*31,367*	*50,523*
Shares	*16,494*	*168,702*	*185,196*
Net loans and advances to customers at amortized cost	7,376,685	3,331,705	10,708,390
Commercial loans	*3,911,130*	*2,425,995*	*6,337,125*
Consumer loans	*3,465,555*	*905,710*	*4,371,265*
Net loans and advances to related parties at amortized cost	19,684	71,873	91,557
Debtors by acceptances	95,183	18,309	113,492
Financial assets at amortized cost	8,196,967	2,797,966	10,994,933
Government debt securities	*5,026,996*	*1,429,806*	*6,456,802*
Corporate debt securities	*37,730*	*1,326,928*	*1,364,658*
Certificates of deposit – Central Banks	*2,765,567*	*41,232*	*2,806,799*
Certificates of deposit – Commercial banks and financial institutions	*366,674*	-	*366,674*
Financial assets at fair value through other comprehensive income	-	3,815	3,815
Total credit exposure	**32,534,027**	**10,817,749**	**43,351,776**

Analysis to maximum exposure to credit risk and 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.

LL Million	2017 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*
	39,386,498	**1,354,977**	**1,632,025**	**146,442**	**5,007,258**	**2,445,914**	**28,799,882**
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 surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LL 2,149,378 million as at 31 December 2017.

LL Million	2016 Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other	Net credit exposure
Balances with central banks	17,758,536	-	15,000	-	-	-	17,743,536
Due from banks and financial institutions	3,180,661	-	4,000	-	-	-	3,176,661
Loans to banks and financial institutions	60,553	-	-	-	-	-	60,553
Derivative financial instruments	53,180	-	-	-	-	-	53,180
Financial assets at fair value through profit or loss	150,940	-	-	-	-	-	150,940
Net loans and advances to customers at amortized cost:	10,708,390	1,572,187	332,047	93,015	4,571,007	2,298,448	1,841,686
Commercial loans	*6,330,438*	*1,520,174*	*332,047*	*93,015*	*1,836,952*	*925,354*	*1,622,896*
Consumer loans	*4,377,952*	*52,013*	*-*	*-*	*2,734,055*	*1,373,094*	*218,790*
	31,912,260	**1,572,187**	**351,047**	**93,015**	**4,571,007**	**2,298,448**	**23,026,556**
Net loans and advances to related parties at amortized cost	91,557	63,829	3,271	-	11,555	10,452	2,450
Debtors by acceptances	113,492	-	-	-	-	-	113,492
Financial assets at amortized cost	10,994,933	-	-	-	-	-	10,994,933
	43,112,242	**1,636,016**	**354,318**	**93,015**	**4,582,562**	**2,308,900**	**34,137,431**
Guarantees received from banks, financial institutions and customers							
Utilized collateral		1,636,016	316,318	93,015	4,582,562	2,308,900	8,936,811
Surplus of collateral before undrawn credit lines		862,318	692,280	26,785	3,264,869	4,895,341	9,741,593
		2,498,334	**1,008,598**	**119,800**	**7,847,431**	**7,204,241**	**18,678,404**

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LL 1,565,677 million as at 31 December 2016.

Collateral and other credit enhancements

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, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

The main types of collateral obtained are as follows:

Securities

The balances shown above represent the fair value of the securities and are net of any surplus collateral.

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 and are net of any surplus collateral.

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 above reflects the fair value of the property limited to the related mortgaged amount and are net of any surplus collateral.

Other:
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. The balances shown above represent the notional amount of these types of guarantees held by the Group and are net of any surplus collateral.

B- Credit quality by class of financial assets

The credit quality of financial assets is managed by the Group using external credit ratings. The credit quality of loans and advances is managed using the internal credit ratings as well as Supervisory ratings in accordance with Central Bank of Lebanon main circular 58.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's credit rating system. The amounts presented are gross of impairment allowances.

	2017					
	Sovereign	Non-Sovereign				
	Neither past due nor impaired	Neither past due nor impaired	Past due but not impaired	Individually impaired		
LL Million	Regular and special mention	Regular and special mention	Regular and special mention	Sub-standard	Non performing	Total
Balances with central banks	24,363,779	-	-	-	-	24,363,779
Due from banks and financial institutions	-	3,563,253	-	-	1,752	3,565,005
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	48,983	9,594	-	-	-	58,577
Government debt securities	*48,983*	*-*	*-*	*-*	*-*	*48,983*
Corporate debt securities	*-*	*9,594*	*-*	*-*	*-*	*9,594*
Net loans and advances to customers at amortized cost	-	10,830,159	436,569	143,636	369,373	11,779,737
Commercial loans	*-*	*6,339,349*	*136,569*	*121,586*	*275,756*	*6,873,260*
Consumer loans	*-*	*4,490,810*	*300,000*	*22,050*	*93,617*	*4,906,477*
Net loans and advances to related parties at amortized cost	-	28,145	-	-	-	28,145
Financial assets at amortized cost	6,987,426	868,949	-	-	5,637	7,862,012
Government debt securities	*4,920,682*	*-*	*-*	*-*	*5,637*	*4,926,319*
Corporate debt securities	*-*	*864,925*	*-*	*-*	*-*	*864,925*
Certificates of deposit – Central Banks	*2,066,744*	*-*	*-*	*-*	*-*	*2,066,744*
Certificates of deposit – Commercial banks and financial institutions	*-*	*4,024*	*-*	*-*	*-*	*4,024*
Total	**31,400,188**	**15,365,014**	**436,569**	**143,636**	**376,762**	**47,722,169**

	2016					
	Sovereign	Non-Sovereign				
	Neither past due nor impaired	Neither past due nor impaired	Past due but not impaired	Individually impaired		
LL Million	Regular and special mention	Regular and special mention	Regular and special mention	Sub-standard	Non performing	Total
Balances with central banks	17,758,536	-	-	-	-	17,758,536
Due from banks and financial institutions	-	3,180,661	-	-	1,694	3,182,355
Loans to banks and financial institutions	-	60,553	-	-	-	60,553
Derivative financial instruments	-	53,180	-	-	-	53,180
Financial assets at fair value through profit or loss	103,056	47,884	-	-	-	150,940
Government debt securities	99,757	-	-	-	-	99,757
Corporate debt securities	-	47,884	-	-	-	47,884
Certificates of deposit – Central Banks	3,299	-	-	-	-	3,299
Net loans and advances to customers at amortized cost	-	10,395,325	249,528	124,465	475,154	11,244,472
Commercial loans	-	6,178,896	108,103	112,641	394,172	6,793,812
Consumer loans	-	4,216,429	141,425	11,824	80,982	4,450,660
Net loans and advances to related parties at amortized cost	-	91,557	-	-	-	91,557
Financial assets at amortized cost	9,263,601	1,731,332	-	-	4,980	10,999,913
Government debt securities	6,456,802	-	-	-	4,980	6,461,782
Corporate debt securities	-	1,364,658	-	-	-	1,364,658
Certificates of deposit – Central Banks	2,806,799	-	-	-	-	2,806,799
Certificates of deposit – Commercial banks and financial institutions	-	366,674	-	-	-	366,674
Total	**27,125,193**	**15,560,492**	**249,528**	**124,465**	**481,828**	**43,541,506**

C- Aging analysis of past due but not impaired financial assets, by class

	2017				
LL Million	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
Commercial loans	6,740	6,686	22,677	100,466	136,569
Consumer loans	160,331	93,809	31,215	14,645	300,000
	167,071	**100,495**	**53,892**	**115,111**	**436,569**

	2016				
LL Million	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
Commercial loans	70,093	6,462	30,220	1,328	108,103
Consumer loans	28,644	70,301	28,713	13,767	141,425
	98,737	**76,763**	**58,933**	**15,095**	**249,528**

See note 26 for more detailed information with respect to the allowance for impairment losses on net loans and advances to customers.

Renegotiated Loans

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	2016
Commercial loans	**361,758**	**389,244**

53.2 Liquidity Risk and Funding Management

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 easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group maintains statutory deposits with Central Banks. As per Lebanese banking regulations, the Bank must retain obligatory reserves with the Central Bank of Lebanon calculated on the basis of 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds, in addition to interest bearing placements equivalent to 15% of all deposits in foreign currencies regardless of their nature.

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 deposit and acceptances and other debt instruments issued by the Group and loans from the public sector that mature within one year.

Besides the regulatory requirements, the liquidity position is also monitored through internal limits, such as the loans-to-deposits ratio, the core funding ratio and the liquidity tolerance level of the Group, also referred to as Liquidity Coverage Ratio.

Liquidity ratios

Loans to deposit ratios (%)

	2017	2016
Year-end	28.30%	28.88%
Average	28.42%	29.00%
Maximum	28.85%	29.30%
Minimum	28.16%	28.88%

53.2.1 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 of 31 December based on contractual undiscounted cash flows. The contractual maturities have been determined based on the period remaining to reach maturity as per the statement of financial position actual commitments. Repayments which are subject to notice are treated as if notice were to be 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.

	2017					
LL Million	Up to 1 month	Less than 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	54,681	97,911	5,091	8,252	3,225	169,160
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	**9,715,305**	**3,519,900**	**7,045,621**	**19,018,591**	**28,657,797**	**67,957,214**
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	53,821	96,437	1,336	3,227	-	154,821
Total undiscounted financial liabilities	**9,365,303**	**26,675,401**	**5,002,997**	**1,631,282**	**1,103,347**	**43,778,330**
Net undiscounted financial assets / (liabilities)	**350,002**	**(23,155,501)**	**2,042,624**	**17,387,309**	**27,554,450**	**24,178,884**

LL Million	2016 Up to 1 month	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Financial assets						
Cash and balances with central banks	3,110,030	497,253	1,209,572	8,218,722	14,185,019	27,220,596
Due from banks and financial institutions	2,509,458	354,645	253,788	64,482	-	3,182,373
Loans to banks and financial institutions	346	7,923	12,758	44,230	-	65,257
Derivative financial instruments	26,386	24,573	2,221	-	-	53,180
Financial assets at fair value through profit or loss	1,845	2,983	49,026	76,047	322,833	452,734
Net loans and advances to customers at amortized cost	3,309,381	1,608,930	3,879,031	1,999,562	671,466	11,468,370
Net loans and advances to related parties at amortized cost	79,094	271	1,227	9,071	6,841	96,504
Debtors by acceptances	38,503	66,865	6,243	14,957	1,834	128,402
Financial assets at amortized cost	314,987	646,828	1,842,399	6,208,013	5,281,165	14,293,392
Financial assets at fair value through other comprehensive income	-	-	-	-	3,815	3,815
Total undiscounted financial assets	**9,390,030**	**3,210,271**	**7,256,265**	**16,635,084**	**20,472,973**	**56,964,623**
Financial liabilities						
Due to central banks	13,745	23,245	40,663	163,360	300,291	541,304
Repurchase Agreements	-	2,930	-	-	-	2,930
Due to banks and financial institutions	457,390	19,932	83,385	36,260	-	596,967
Derivative financial instruments	18,872	13,875	789	-	-	33,536
Customers' deposits at amortized cost	21,725,526	11,833,025	3,293,807	534,047	23,005	37,409,410
Deposits from related parties at amortized cost	261,157	599	950	208	-	262,914
Engagements by acceptances	37,751	65,636	1,208	8,617	280	113,492
Total undiscounted financial liabilities	**22,514,441**	**11,959,242**	**3,420,802**	**742,492**	**323,576**	**38,960,553**
Net undiscounted financial assets / (liabilities)	**(13,124,411)**	**(8,748,971)**	**3,835,463**	**15,892,592**	**20,149,397**	**18,004,070**

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	2017 On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Guarantees issued	885,138	-	-	-	-	885,138
Documentary credits	-	243,727	-	-	-	243,727
Loan commitments	-	2,149,378	-	-	-	2,149,378
Other commitments	-	573,243	-	672,287	735,237	1,980,767
Total	**885,138**	**2,966,348**	**-**	**672,287**	**735,237**	**5,259,010**

LL Million	2016 On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Guarantees issued	680,973	-	-	-	-	680,973
Documentary credits	-	142,930	-	-	-	142,930
Loan commitments	-	1,565,677	-	-	-	1,565,677
Other commitments	-	1,380,427	-	-	-	1,380,427
Total	**680,973**	**3,089,034**	**-**	**-**	**-**	**3,770,007**

The Group expects that not all of the contingent liabilities or commitments will be demanded before maturity.

53.3 MARKET RISK

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market prices. Market risks arise from open positions in interest rate and currency rate as well as equity positions, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

Group 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 unconsolidated on a monthly basis and consolidated (Group level) on a semi- annual basis. The Group's Asset and Liability Management (ALM) Policy assigns authority for its formulation, revision and administration to the Asset / Liability Management Committee (ALCO) of BLOM Bank SAL. Group 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.

53.3.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities and off-financial position items that mature or reprice in a given period. The Group manages this risk by matching the repricing of assets and liabilities through risk management strategies. Positions are monitored on a daily basis by management.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the profit or loss for one year, based on the floating rate financial assets and financial liabilities and due to the reinvestment or refunding of fixed rated financial assets and liabilities at the assumed rate, including the effect of hedging instruments.

	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)

	2016	
LL Million	Increase in basis points	Sensitivity of net interest income
Currency		
Lebanese Lira	+0.5%	(17,557)
United States Dollar	+0.5%	(3,359)
Euro	+0.25%	(2,536)

An equivalent decrease would have resulted in an equivalent but opposite impact for the years ended 31 December 2017 and 31 December 2016.

Interest rate sensitivity gap

The Group's interest sensitivity position based on the earlier of contractual re-pricing or maturity date at 31 December was as follows:

	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
Other liabilities	-	-	-	-	-	-	817,398	817,398
Provisions for risks and charges	-	-	-	-	-	-	523,424	523,424
Total liabilities	**25,508,664**	**4,385,593**	**4,606,187**	**89,713**	**823,138**	**1,002,657**	**8,113,531**	**44,529,483**
Total interest rate sensitivity gap	**(18,076,735)**	**778,014**	**(452,486)**	**2,017,923**	**6,231,727**	**16,441,015**	**(3,471,058)**	**3,468,400**

LL Million	2016							
	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	1,641,073	1,138,674	224,794	21,570	3,424,201	9,178,388	2,362,469	17,991,169
Due from banks and financial institutions	1,250,518	362,434	252,283	26,727	37,283	-	1,251,416	3,180,661
Loans to banks and financial institutions	-	13,843	31,379	14,885	-	-	446	60,553
Derivative financial instruments	-	-	-	-	-	-	53,180	53,180
Financial assets at fair value through profit or loss	23,133	529	12,043	707	17,686	88,259	244,302	386,659
Net loans and advances to customers at amortized cost	3,898,362	2,358,778	2,751,582	782,758	704,102	123,015	89,793	10,708,390
Net loans and advances to related parties at amortized cost	77,913	3,303	58	75	3,873	6,333	2	91,557
Debtors by acceptances	-	-	-	-	-	-	113,492	113,492
Financial assets at amortized cost	241,183	458,136	1,305,279	1,685,899	2,690,913	4,458,961	154,562	10,994,933
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	3,815	3,815
Total assets	**7,132,182**	**4,335,697**	**4,577,418**	**2,532,621**	**6,878,058**	**13,854,956**	**4,273,477**	**43,584,409**
Liabilities								
Due to central banks	2,233	25,256	28,675	38,678	117,675	301,642	4,862	519,021
Repurchase Agreements	-	-	-	-	-	-	2,930	2,930
Due to banks and financial institutions	183,112	49,799	46,093	-	-	-	311,804	590,808
Derivative financial instruments	-	-	-	-	-	-	33,536	33,536
Customers' deposits at amortized cost	24,373,440	3,973,796	3,320,855	177,467	289,305	21,286	4,983,678	37,139,827
Deposits from related parties at amortized cost	172,683	590	933	-	171	-	88,113	262,490
Engagements by acceptances	-	-	-	-	-	-	113,492	113,492
Other liabilities	-	-	-	-	-	-	822,088	822,088
Provisions for risks and charges	-	-	-	-	-	-	593,652	593,652
Total liabilities	**24,731,468**	**4,049,441**	**3,396,556**	**216,145**	**407,151**	**322,928**	**6,954,155**	**40,077,844**
Total interest rate sensitivity gap	**(17,599,286)**	**286,256**	**1,180,862**	**2,316,476**	**6,470,907**	**13,532,028**	**(2,680,678)**	**3,506,565**

53.3.2 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 position, receivable or payable, that does not exceed at any time 1% of total net equity on condition that the global open FX position does not exceed 40% of total net equity. This is subject to the Bank's commitment to comply in a timely and consistent manner with the required solvency rate.

The following tables present the breakdown of assets and liabilities by currency:

		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**

	2016					
		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	7,378,307	7,169,063	1,981,912	1,461,887	10,612,862	17,991,169
Due from banks and financial institutions	73,915	1,420,456	546,807	1,139,483	3,106,746	3,180,661
Loans to banks and financial institutions	26,779	29,876	3,898	-	33,774	60,553
Derivative financial instruments	21,133	30,895	-	1,152	32,047	53,180
Financial assets at fair value through profit or loss	40,375	307,537	1,238	37,509	346,284	386,659
Net loans and advances to customers at amortized cost	2,357,895	6,088,142	277,930	1,984,423	8,350,495	10,708,390
Net loans and advances to related parties at amortized cost	5,007	77,311	2,011	7,228	86,550	91,557
Debtors by acceptances	-	90,860	18,767	3,865	113,492	113,492
Financial assets at amortized cost	4,454,899	5,176,382	25,013	1,338,639	6,540,034	10,994,933
Financial assets at fair value through other comprehensive income	-	641	24	3,150	3,815	3,815
Property and equipment	490,527	242	36,328	176,343	212,913	703,440
Intangible assets	1,188	36	87	1,171	1,294	2,482
Assets obtained in settlement of debt	(1,225)	27,955	-	23,026	50,981	49,756
Other assets	70,615	23,391	5,633	56,798	85,822	156,437
Goodwill	-	-	-	1,950	1,950	1,950
Total assets	**14,919,415**	**20,442,787**	**2,899,648**	**6,236,624**	**29,579,059**	**44,498,474**
Liabilities						
Due to central banks	498,452	-	-	20,569	20,569	519,021
Repurchase Agreements	-	-	-	2,930	2,930	2,930
Due to banks and financial institutions	16,874	361,541	76,203	136,190	573,934	590,808
Derivative financial instruments	15,182	17,203	-	1,151	18,354	33,536
Customers' deposits at amortized cost	11,247,673	19,236,537	2,595,445	4,060,172	25,892,154	37,139,827
Deposits from related parties at amortized cost	71,008	100,261	21,956	69,265	191,482	262,490
Engagements by acceptances	-	90,860	18,767	3,865	113,492	113,492
Other liabilities	394,194	317,963	18,560	91,371	427,894	822,088
Provisions for risks and charges	526,660	46,719	221	20,052	66,992	593,652
Total liabilities	**12,770,043**	**20,171,084**	**2,731,152**	**4,405,565**	**27,307,801**	**40,077,844**
Net exposure	**2,149,372**	**271,703**	**168,496**	**1,831,059**	**2,271,258**	**4,420,630**

Group's sensitivity to currency exchange rates

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 consolidated 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.

	2017		2016	
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%	8,723	+ 1%	14,135
EUR	+ 3%	3,255	+ 3%	6,373

53.3.3 EQUITY PRICE RISK

Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. Equity price risk exposure arises from equity securities classified at fair value through profit or loss and at fair value through other comprehensive income. A 5 percent increase in the value of the Group's equities at 31 December 2017 would have increased other comprehensive income by LL 103 million and net income by LL 9,888 million (2016: LL 105 million and LL 9,260 million respectively). An equivalent decrease would have resulted in an equivalent but opposite impact.

53.3.4 PREPAYMENT RISK

Prepayment risk is the risk that the Group incurs 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.

53.4 OPERATIONAL RISK

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

54. CAPITAL MANAGEMENT

By maintaining an actively managed capital base, the Group's objectives are to cover risks inherent in the business, to retain sufficient financial strength and flexibility to support new business growth, and to 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 the following ratios of total regulatory capital to risk-weighted assets:

	Common Tier 1 capital ratio	Tier 1 Capital Ratio	Total Capital Ratio
Year ended 31 December 2016	8.50%	11.00%	14.00%
Year ended 31 December 2017(*)	9.00%	12.00%	14.50%
Year ended 31 December 2018(*)	10.00%	13.00%	15.00%

(*) Include Capital Conservation Buffer (CCB). This CCB, which will reach 4.5% of risk-weighted assets by end of 2018, must be met through Common Equity Tier 1 capital.

LL Million	2017	2016
Risk weighted assets		
Credit risk	19,059,611	17,658,520
Market risk	1,102,302	832,533
Operational risk	2,475,921	2,362,146
Total risk weighted assets	**22,637,834**	**20,853,199**

The regulatory capital as of 31 December is as follows:

	Excluding net income for the year		Including net income for the year less proposed dividends	
LL Million	2017	2016	2017	2016
Tier 1 Capital	3,646,580	3,609,936	4,013,425	3,956,065
Of which: Common Tier 1	*3,643,672*	*3,306,449*	*4,010,517*	*3,652,529*
Tier 2 Capital	94,071	182,430	94,071	182,578
Total Capital	**3,740,651**	**3,792,366**	**4,107,496**	**4,138,643**

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	
	2017	2016	2017	2016
Capital adequacy – Common Tier 1	**16.10%**	**15.86%**	**17.72%**	**17.52%**
Capital adequacy - Tier 1	**16.11%**	**17.31%**	**17.73%**	**18.97%**
Capital adequacy -Total Capital	**16.52%**	**18.19%**	**18.14%**	**19.85%**

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.


LEBANON
Headquarters (Beirut)

Country	Correspondent Bank
Australia, Sydney	Westpac Banking Corporation
Bahrain, Manama	National Bank of Bahrain BSC
Belgium, Brussels	KBC Bank NV
Canada, Toronto	Bank of Montreal
China, Shanghai	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	The Bank of Tokyo-Mitsubishi UFJ Ltd
Jordan, Amman	BLOM Bank SAL
KSA, Jeddah	The National Commercial Bank
KSA, Riyadh	Riyad Bank
Kuwait, Kuwait City	Gulf Bank KSC
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 AG
Turkey, Istanbul	Yapi ve Kredi Bankasi AS
U.A.E, Abu Dhabi	First Abu Dhabi Bank
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 INVESTMENT COMPANY

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 29 of this report for management.

BRANCH NETWORK

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Ashrafieh - Embassy
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Branch Manager: Mr. Nadim CHACHATI

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Jnah
Bir Hassan, United Nations St., Jaber Bldg.
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Principal Branch Manager: Mr. Mohamad MARRACHE

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Fax: (961-5) 556614
Senior Branch Manager: Mrs. May BOU ALWAN

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Fax: (961-4) 523666
Senior Branch Manager: Mr. Farid ZOGHBI

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Chehim, Hajjawi Center, Haffet El Hajal Area, El Jered Junction
Phone: (961-79) 303414/5 - (961-7) 243570/805
Fax: (961-7) 242194
Branch Manager: Mr. Khaled DAHBOUL

Chiyah
Chiyah Blvd., Ariss St., Orient Center Bldg.
Phone: (961-1) 270172/3/4 - 275783
Fax: (961-1) 270064
Principal Branch Manager: Mr. Abbas TLAIS

Choueifat
Al Omaraa, Main Road, Mouhtar & Haidar Bldg.
Phone: (961-5) 433203/6
Fax: (961-5) 433208
Branch Manager: Mr. Marwan MOHTAR

Dbayeh
Dbayeh Highway, Victoria Center, Ground Flr.
Phone: (961-4) 520425/6/7/8
Fax: (961-4) 520432
Branch Manager: Mr. Emile BOUSTANI

Dekwaneh
Dekwaneh, Main St., Mohanna Center
Phone: (961-1) 686072- 686035/6
Fax: (961-1) 686095
Branch Manager: Mr. Georges MAMO

Dora
Dora, Dora Highway, Ghantous Bldg., Ground Flr.
Phone: (961-1) 256527/28/32 - 760302/31
Fax: (961-1) 256522 - 256820
Principal Branch Manager: Mr. Bassem MERHEJ

Elissar
Elissar, Main Road, Villa Marie Bldg.
Phone: (961-4) 916111/2/3/4
Fax: (961-4) 916115
Senior Branch Manager: Mr. Laurent CHEBLI

Furn El Chebbak
Furn El Chebbak, Main St., Bou Chedid Center
Phone: (961-1) 293810/3
Fax: (961-1) 293816
Branch Manager: Mr. Ronald FARAH

Ghobeiry
Ghobeiry, Chiah Blvd., Tohme & Jaber & Kalot Bldg.
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Fax: (961-1) 820153
Principal Branch Manager: Mrs. Majida Alameh MIKATI

Hadath
Hadath, Sfeir district, Hoteit Bldg.
Phone: (961-5) 461506 - 461438
Fax: (961-5) 461815
Branch Manager: Mr. Wassim FAHS

Haret Hreik
Haret Hreik, Sayyed Hadi Nasrallah Highway, Abou Taam & Hoteit Bldg.
Phone: (961-1) 543662 – 543658/9
Fax: (961-1) 543661
Senior Branch Manager: Dr. Hassan JABAK

Hazmieh
Hazmieh, Damascus Road, Chahine Center
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Fax: (961-5) 955240
Principal Branch Manager: Mr. Ziad KAREH

Jbeil
El Berbara, Voie 13, Byblos Canari Bldg.
Phone: (961-9) 943701/2/3
Fax: (961-9) 943704
Branch Manager: Mr. Yves KHOURY (EL)

Jdeideh
Jdeideh, New Jdeideh St., Etoile Center
Phone: (961-1) 889351/2 – 889360
Fax: (961-1) 889363
Branch Manager: Mrs. Aline Sakr BOU ZERDANE

Jounieh
Jounieh, Saraya St., Executive Center Bldg.
Phone: (961-9) 638012/3/4
Fax: (961-9) 638011
Branch Manager: Mrs. Ghada Fadous MOUAWAD

Kaslik
Kaslik, Main St., Debs Center
Phone: (961-9) 640273 – 640095 – 636998/9
Fax: (961-9) 831113
Principal Branch Manager: Mr. Charles AOUDE

Kfarhbab
Kfarhbab, Main St., Oueiss Center
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Fax: (961-9) 856820
Branch Manager: Mr. Zakhia SARKIS

Mansourieh
Mansourieh, New Main Highway, Dar El Ain Plaza Bldg.
Phone: (961-4) 532856/7/8
Fax: (961-4) 532854
Branch Manager: Mr. Ziad SROUGI

Mar Takla - Hazmieh
Street Nb. 19
Urb 1 Center
Phone: (961-71) 772226/75
Fax: (961-5) 451598
Branch Manager: Mrs. Dania ABDEL MALAK

Sin El Fil
Sin El Fil, Fouad Chehab Avenue, Far Vision Center
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Principal Branch Manager: Mr. Fadi MIR (EL)

Sin El Fil – Horsh Tabet
Horsh Tabet, Charles De Gaulle St., Tayar Center
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Branch Manager: Mr. Gerard GHOSN

Zalka
Zalka, Main St., BLOM BANK Bldg.
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Fax: (961-4) 713077
Senior Branch Manager: Mr. Walid LABBAN

Zouk Mosbeh
Zouk Mosbeh, Main Road, Le Paradis Centre
Phone: (961-9) 226991/2/3/4/5
Fax: (961-9) 226990
Branch Manager: Mrs. Marlène Mezraany ABOU NAJM

NORTH LEBANON BRANCHES

Amioun
Amioun, Main Road, Nassif Bldg.
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Branch Manager: Mrs. Ralda Rouss AZAR

Batroun
Batroun Main Road, Street 7, Zone B
Bldg. 27
Phone: (961-6) 740804/5
Fax: (961-6) 740727
Branch Manager: Ms. Marie Thérèse Al Hayek AL SOURY

Halba
Halba Main Road
Centre Rahal
Phone: (961-6) 695480 – 695930
Fax: (961-6) 692970
Branch Manager: Mr. Zaher Hamdi

Tripoli - Abi Samra
Tripoli Abi Samra, Al-Dinnawi Square, Khaled Darwiche Bldg.
Phone: (961-6) 423565/6/7/8
Fax: (961-6) 423569
Branch Manager: Mrs. Salwa Ajaj MERHI

Tripoli - Azmi
Tripoli, Azmi St., Fattal Bldg.
Phone: (961-6) 433064 – 443550/1/2
Fax: (961-6) 435947
Branch Manager: Mr. Fouad HAJJ

Tripoli - Al Tell
Tripoli Al Tell, Abdel Hamid Karameh Square, Ghandour Bldg.
Phone: (961-6) 430153 – 628200/1/2
Fax: (961-6) 431624
Branch Manager: Mr. Wassim BAGHDADI (*)

Tripoli - Boulevard
Boulevard St., Near Banque du Liban, 1st Flr.
Phone: (961-78) 880058/68 - (961-76) 181145/6
Fax: (961-6) 412953
Branch Manager: Mr. Karim HAMZE (**)

Tripoli - Zahrieh
Tripoli Zahrieh, Al Tall St., Alam Al Din & Bissar Bldg.
Phone: (961-6) 430150/2 – 423414/5
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Branch Manager: Mrs. Lina ALAMEDDINE

BEKAA BRANCHES

Chtaura
Chtaura, Main St., Najim El Din Bldg.
Phone: (961-8) 540078 - 544330 - 544914
Fax: (961-8) 542504
Branch Manager: Mr. Marwan CHAKRA

Jib Jinnine
Jib Jinnine, Main Road, Chibli Al Hajj Bldg.
Phone: (961-8) 661951 - 660942
Fax: (961-8) 661092
Branch Manager : Mr. Kamel ABDOUNI

Zahleh
Zahleh, Manara Center, Fakhoury & Kfoury Bldg.
Phone: (961-8) 807681/2/3/4
Fax: (961-8) 807680
Senior Branch Manager: Mrs. Sabine Rbeiz KASSIS

SOUTH LEBANON BRANCHES

Nabatiyeh
Nabatiyeh, Hassan Kamel Al Sabbah St., Office 2000 Bldg.
Phone: (961-7) 767854/5/6
Fax: (961-7) 767857
Branch Manager: Mr. Hussein CHAMOUN

Saida
Saida, Riad Solh St., Al Zaatari & Fakhoury & Bizri Bldg.
Phone: (961-7) 724866 – 723266
Fax: (961-7) 722801
Principal Branch Manager: Mr. Majdi HAMMOUD

Saida - Boulevard
Saida, Boulevard Square, Al Saoudi Bldg.
Phone: (961-7) 730976 - 730879
Fax: (961-7) 736299
Branch Manager: Mr. Wafic BABA (AL)

Tyr
Tyr, Main St., Chehade Bldg.
Phone: (961-7) 740900 – 741649
Fax: (961-7) 348487
Senior Branch Manager: Mrs. Maysaa Arab RAHAL

Tyr - Abbassieh
Tyr Al Abbassieh, Jal El Baher St., BLOM BANK Bldg.
Phone: (961-7) 350861/2/3/4 – 350841/2/3
Fax: (961-7) 350865
Branch Manager: Mr. Ali DAOUD HAMADEH

Tyr – Athar
Tyr Al Athar, Al Istiraha St., Tajjudin Bldg., Ground Flr.
Phone: (961-70) 584381 - (961-3) 006617/8/9
Senior Branch Manager: Mr. Marwan CHAB (AL)

(*) Starting 28 May 2018

(**) Starting 11 June 2018

JORDAN

MANAGEMENT

General Management	
Dr. Adnan AL ARAJ	Regional Manager
Mr. Adnan SALLAKH	Regional Management Consultant
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
Mr. Hani DIRANI	Legal & Collection
Mr. Said OBEIDALLAH	Internal Audit
Mr. Muhannad ABYAD	IT Operations
Mr. Nabil OBALI	Risk
Mr. Maan ZOABI	Compliance Unit
Mr. Muhannad YOUNIS	Central Operation

NETWORK

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Branch Manager: Mr. Ammar SAIDI

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Branch Manager: Mr. Ahmad DABAAN

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Zarqa
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Branch Manager: Mr. Suhaib ABDEL SALAM

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Branch Manager: Mr. Marwan SALAH

Mecca Mall
Amman - Jordan Mecca St.
Mecca Mall Center
Phone: (962-6) 5822930/5
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Cyprus

MANAGEMENT

Management	
Mr. Ziad EL MORR	Country Manager

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Abu Dhabi

MANAGEMENT

Management	
Mr. Ramzi AKKARI	Chief Representative

NETWORK

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Iraq

MANAGEMENT

Management	
Mr. Ali CHREIF	Assistant Regional Manager
Mr. Marwan NAJI	Risk Manager

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BLOMINVEST BANK SAL

GENERAL MANAGEMENT

Board of Directors	
Mr. Saad AZHARI	Chairman & General Manager
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
Mr. 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. Georges ABBOUD	Assistant General Manager, Head of Private Banking
Mr. Elie CHALHOUB	Head of Corporate Credit and Relationship
Mr. Marwan ABOU KHALIL	Head of Capital Markets & Brokerage
Me. Sandra BOUSTANY	Legal Affairs
Mrs. Mirna Toutayo HAJJ	Head of Strategic Planning & Organization
Mrs. Lara KANJ	Head of Real Estate Unit
Mr. Joseph MATTA	Head of Internal Audit
Mr. Marwan MIKHAEL	Head of Research
Mr. Alexandre MOURADIAN	Head of Investor Relations
Ms. Rima YASSINE	Head of Operations

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BLOM DEVELOPMENT BANK SAL

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Mr. Saad AZHARI	Member
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
Mrs. Nora Yassine DAROUB	Finance Manager
Mrs. Rawan ORAYMET	Internal Audit Manager
Mr. Nader GHANNAM	Compliance Manager

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BLOM BANK FRANCE

MANAGEMENT

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Mr. Samer AZHARI	Chairman & General Manager
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
Mr. Jean HABER	CIO

NETWORK

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Branches in Romania

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Head of Operations: Mrs. Florentina DELA

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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)

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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

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BLOM BANK EGYPT

MANAGEMENT

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Mr. Mohamed OZALP	Managing Director & Chief Executive Officer
Mr. Rabih EL HALABI	Deputy Managing Director & Executive Member of the Board
Mr. Mohamed KAFAFI	Member
Mr. Magued SHAWKY	Member
Mr. Ahmed ABU ALI	Member
Mr. Jassim AL MANNAI	Member
General Management	
Mr. Mohamed OZALP	Managing Director & Chief Executive Officer
Mr. Rabih EL HALABI	Deputy Managing Director & Executive Board Member
Mr. Hazem MOKBEL	Chief Risk Officer
Mr. Mostafa EZZAT	Chief Financial Officer
Mr. Ahmed KHATTAB	Head of Corporate Banking Group
Mr. Ihab KHALIL	Head of Retail Banking Group
Mr. Mohamed HISHAM	Head of Compliance Group & AML Group
Mr. Mohamed RASHWAN	Head of Internal Audit Group
Mr. Khaled YOUSRY	Head of FI & Correspondent Banking Group
Mr. Emad ELGUINDY	Head of Central Operations Group
Mr. Belal FAROUK	Group Head, Board Affairs
Mr. Mohamed SHAWKY	Head of Information Technology Group
Mr. Mohamed ABD EL MOHSEN	Head of Legal Affairs Group
Mr. Mansour MANSOUR	Head of Human Resources Group
Mr. Ali ASHRAF	Head of General Administration Group
Mr. Mohamed HABIB	Head of Security & Public Institutional Relations Group

NETWORK

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Chief Branch Manager: Mr. Hussein EL SWEIFY

Dokki
Mohie Eldin Aboul Ezz St., 64 Bldg.
Phone: (202) 37494643
Fax: (202) 37494652 – 37494679
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) 44890020/44890033
Fax: (202) 44890050
Branch Manager: Mr. Ayman HUSSAIN

El Sherouq
New City Plaza Mall next to BUE
Phone: (202) 01028577886 - 01028577882-01028577884
Acting Branch Manager: Mr. Yasser FEKRY

Haram
Haram St., Nasr El Din, 410 Bldg.
Phone: (202) 35681223
Acting Branch Manager: Mr. Ahmed MARDISHI

Heliopolis
El Hegaz St., 31 Bldg.
Phone: (202) 22583120
Senior Branch Manager: Mrs. Naja EL SENOUSI

Khalifa El Maamoun
Heliopolis, El Khalifa El Maamoun, Manshiet El Bakry St., 20 Bldg.
Phone: (202) 22575625 - 22575647
Fax: (202) 22575651
Senior Branch Manager: Mrs. Nayera LABIB

Maadi
New Maadi, El Nasr Road, 4th St., 269 Bldg.
Phone: (202) 25198244
Senior Branch Manager: Mr. Amr HASSAN

Manial
Manial St., El Rodah, 13 Bldg.
Phone: (202) 23640604 – 23640644
Fax: (202) 23640611
Branch Manager: Mrs. Ghada SHAHIN

Masaken Sheraton
17 Misr Lel Taameer Bldg. –Abdel Hamid Badawy St., area 7, Masaken Sheraton
Acting Branch Manager: Mrs. Enjy Edwar ATTALLAH

Mesadak
30 Mesadek St., Dokki, Gizza
Phone: (202) 33375214 - 33375269
Senior Branch Manager: Mr. Ehab FARAHAT

Mohandessen
Lebanon St., 54 Bldg.
Phone: (202) 33006514/42/29
Zone Head: Mr. Mamdouh ZAYED

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., 17/5 Bldg.
Phone: (202) 25175546/7/8
Fax: (202) 25173014 - 25173024
Chief Branch Manager: Mr. Sameh EL GHARIB

Opera
Gomhoreya St., 17 Bldg.
Phone: (202) 23923197 – 23927885
Fax: (202) 22392265
Senior Branch Manager: Mrs. Hanaa FOUAD

Orouba
Heliopolis, Cleopatra St., 1 Bldg.
Phone: (202) 24144769 – 24144759
Fax: (202) 24144793
Acting Branch Manager: Mr. Mahmoud ALI

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., 232 Bldg.
Phone: (202) 24311409 - 24311732
Fax: (202) 24311364
Chief Branch Manager: Mr. Moustafa SABRY

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

Zamalek
Abu El Feda St., 15 Bldg.
Phone: (202) 27355246 - 27353292
Fax: (202) 27358613
Senior Branch Manager: Mr. Hany SELIM

ALEXANDRIA

El Shatby
El Shatby, Port Said St., 17 Bldg.
Phone: (203) 5934057/9
Senior Branch Manager: Mr. Ayman TALAAT

Manshia
Orabi Square, 9 Bldg.
Phone: (203) 4856088 - 4856052
Fax: (203) 4856120
Chief Branch Manager: Mr. Mohamed ABOU SHOUSHA

Montaza
414 Gamal Abd El Naser - Mecca Tower
Phone: (203) 5488550 – 5488598
Branch Manager: Mrs. Radwa EL FIKY

Semouha
56 Fawzy Moaaz St., Semouha Heights building, Semouha - Alexandria
Branch Manager: Mr. Emad BADAWY

Sporting
El Horia St., 273 Bldg.
Phone: (203) 4258900 - 4282050
Fax: (203) 4271702
Branch Manager: Mrs. Rasha MOSTAFA

Stadium
Seliman Yosry St., 1 Bldg.
Phone: (203) 4951641/2/5
Fax: (203) 4951639
Zone Head: Mr. Ashraf TAHIO

GOVERNATES

Damietta
Borg El Shark Insurance, Corniche El Nile St., 1 Bldg.
Phone: (2057) 2363470 - 2363413
Fax: (2057) 2363453
Zone Head: Mr. Mohamed ELBERGISY

El Minya
225-226 B-Sultan Land-Taha Hussein St., El Minya
Phone: (2086) 2318098 - 2318084
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., 15 Bldg.
Phone: (2064) 3921758/9/79/61
Fax: (2064) 3921767
Chief Branch Manager: Mr. Mohamed ABD ELKADER

Mansoura
Torail, Saad Zaghloul St., 35 Bldg.
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., 37 Bldg.
Phone: (2066) 3201057 - 3201062/4
Fax: (2066) 3201063
Branch Manager: Mr. Mohamed ELNAGGAR

Tanta
El Guiesh St., 44 Bldg.
Phone: (2040) 3356231 - 3356397
Fax: (2040) 3356449
Acting Branch Manager: Mr. Ashraf EL GUINDY

RED SEA

Al Hurghada
Sakallah Square, Elmina St., 7 Bldg.
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
Under Supervision of Chief Branch Manager: Mr. Alaa METWALLY

BLOM EGYPT INVESTMENT COMPANY

MANAGEMENT

Board of Directors	
Mr. Mohamed OZALP	Chairman
Mr. Michel CHIKHANI	Vice Chairman
Mrs. Reham EL SAID	Managing Director
Mr. Omar EL DERINI	Member
Mr. Ehab Nabil SALEH	Member
Mr. Ali Ezzat KHAFAGY	Member
General Management	
Mrs. Reham EL SAID	Managing Director
Ms. Shatha MAHMOUD	Head of Compliance
Mr. Ahmed RASHAD	Investment Manager
Mr. Muhammed SALAH	Investment Manager
Mr. Ahmed MOSTAFA	Financial Manager
Mr. Amr NASSAR	Operations Manager
Mr. Sherif RADWAN	Information Technology Manager

NETWORK

Giza, Dokki, Mossadek St., 30 Bldg
Phone: (202) 33360948
Fax: (202) 33360949

BLOM EGYPT SECURITIES

MANAGEMENT

Board of Directors	
Mr. Michel CHIKHANI	Chairman
Mr. Rabih El HALABI	Deputy Chairman
Mrs. Maya Abou Alwan EL KADI	Member
Mr. Tarek METWALLY *	Member
Mr. Mohamed RASHWAN	Member
Mr. Belal FAROUK	Member
General Management	
Mr. Ziad FARAH	General Manager for Business Development
Mrs. Ola EL MANDOUH	Deputy Managing Director
Mr. Mohamed ABDEL DAYEM	Head of Compliance
Mr. Emam WAKED	Head of Institutional Sales
Mr. Ahmed MAREI	Online Trading Manager
Mrs. Lamiaa EL MANDOUH	Branch Manager

(*) He resigned on May 2018

NETWORK

HEADQUARTERS (CAIRO)

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Heliopolis Branch
Al Orouba, Cleopatra St., 1 Bldg.
Phone: (202) 24144801 - (202) 24144847
Fax: (202) 24144829

Online Trading
Giza, Mohandessin, Gezerat El Arab St., 8 Bldg.
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Fax: (202) 37617680
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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)

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Fax: (966-11) 4949551
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BLOM SECURITIES | Jordan

MANAGEMENT

Board of Directors	
Dr. Adnan AL ARAJ	Chief of Directors Committee
Mr. Adnan SALLAKH	Deputy Chief of Directors Committee
Mr. Modar KURDI	Director
General Management	
Mr. Anwar AL SAQQA	General Manager
Mr. Khalid ZURUB	Deputy General Manager

NETWORK

HEADQUARTERS (AMMAN)

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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
Mrs. Rima EL ETER	Risk Manager
Mr. Mohamad MASSALKHY	Finance Manager
Mr. Zaher GHOUSSAINI	Human Resources Manager

NETWORK

HEADQUARTERS (DOHA)

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INSURANCE SUBSIDIARIES

AROPE INSURANCE

MANAGEMENT

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

NETWORK

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Email: tripoli@arope.com

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e-Fax: (961-1) 886786
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Tyr – Abbassieh
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Zahle
Zahle Entrance, Manara Center, GF
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AROPE INSURANCE EGYPT

AROPE INSURANCE FOR PROPERTIES AND LIABILITIES S.A.E.

MANAGEMENT

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Habib RAHAL	Member
Ms. Faten DOUGLAS	Member
Mr. Rabih HALABI	Member
Mr. Ahmad KHATTAB	Member
Mrs. Maya Abou Alwan EL KADI	Member
Mr. Ihab KHALIL	Member
General Management	
Mr. Bachar EL HALABI	Managing Director
Mr. Ramez HAYEK	Assistant General Manager

AROPE LIFE INSURANCE S.A.E.

MANAGEMENT

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Habib RAHAL	Member
Mr. Rabih HALABI	Member
Mr. Bachar EL HALABI	Member
Mr. Ahmad KHATTAB	Member
Mrs. Maya Abou Alwan EL KADI	Member
Mr. Ihab KHALIL	Member
General Management	
Mr. Ali EL SISI	Managing Director
Mr. Wael CHUCRI	Assistant General Manager

NETWORK

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Website: www.aropeegypt.com

Life Insurance Agencies

Maadi
4, 151 St., Maadi, Cairo, Egypt
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Fax: (202) 23802631
Hotline: (202) 19243
Email: arope@arope.com.eg

Nasr City
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Alexandria
75, Fawzi Moaz St., Samouha – Alexandria
Hotline: (202) 19243
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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.

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