ANNUAL REPORT 2016

BLOM BANK S.A.L

Dr. Naaman AZHARI
Chairman of BLOM BANK Group

Mr. Saad AZHARI
Chairman and General Manager of
BLOM BANK S.A.L.

BLOM BANK provides the youth with the proper tools and guidance to help them achieve a prosperous future. Supportive and motivating, BLOM BANK empowers ambitious young adults to pursue their full potential by seeking a career path that corresponds to their skills, strengths, and personalities. Just like BLOM BANK, the young generation wants to make a difference by living by the same core values including prudence, professionalism, performance, and improvement.

2016 was a relatively good year politically for Lebanon and quite a good year for BLOM BANK. The country was able to elect a President and to form a new Government that should hopefully pave the way for economic renewal and more political stability. And BLOM BANK continued with its conservative but innovative strategy to perform at its customary best. Net profit increased to USD 462.8 million, up by 14.49% in 2016, and implied the highest ROAcE at 17.09% and ROAA at 1.58% among listed banks. Despite a turbulent regional environment, net profit was driven by higher profits from the Bank's domestic and foreign operations, and reinforced by the Bank's notable managerial efficiency with the lowest cost-to-income ratio at 35.90% and by a decent interest margin at 2.33%.

Quantitatively, the Bank also succeeded in achieving a respectable balance sheet. Assets rose to USD 29.52 billion; loans stood at USD 7.16 billion; deposits amounted to USD 24.81billion; and shareholders' equity increased to USD 2.93 billion. In addition, the Bank's focus on value over volume and its priority of control over risk generated a very healthy financial profile. In this respect, CAR reached 19.85% (against a required ratio of 14%); net NPLs 0.4%; primary liquidity 74.4%; and a coverage ratio by provisions and real guarantees of 160%.

Marketwise, the Bank remains the leader in most businesses. These include corporate, retail, investment, private, and Islamic banking, besides asset management and capital market services. Particularly noteworthy is the Bank's strong lead in retail banking with a portfolio of USD 2.90 billion; and in private banking with AUMs of USD 7.12 billion. The Bank's market reach also extends to many foreign footprints, for the Bank has the largest outside presence among Lebanese banks, covering 12 countries and constituting 219 branches and financial units.

Strategically, three important developments strengthened our franchise in 2016. First, the Bank's participation in Syria was written off and deconsolidated from the Bank's overall balance sheet. The reason was to protect the Bank from any ramifications of stronger US and international sanctions on Syria. Second, the Bank signed an agreement in November 2016 with HSBC Lebanon to acquire the assets and liabilities of its three branches. The deal will keep all HSBC employees and should be completed in June 2017 after BDL's final and full approval. As important, the acquisition will enrich the Bank's activities in commercial banking, especially in trade finance and retail, two areas that HSBC Lebanon is very good at. Third, the Bank established the BLOM Asset Management Company to provide more institutional support to this successful and expanding business line whose funds totaled more than USD 620 million.

Qualitatively, BLOM BANK's leading position in the Lebanese banking system was affirmed by its dynamic model and creative platform. This is captured by the Bank's constant innovation of new products and services and the persistent upgrade of its digital delivery systems. Of the numerous qualitative initiatives that the Bank undertook in 2016, the following stand out: i) the Youth Program, NEXT, which combines a physical pre-paid card with the Bank's renowned eBlom app and is destined for the technology-oriented youth; ii) the strategic alliance with American Express, focusing

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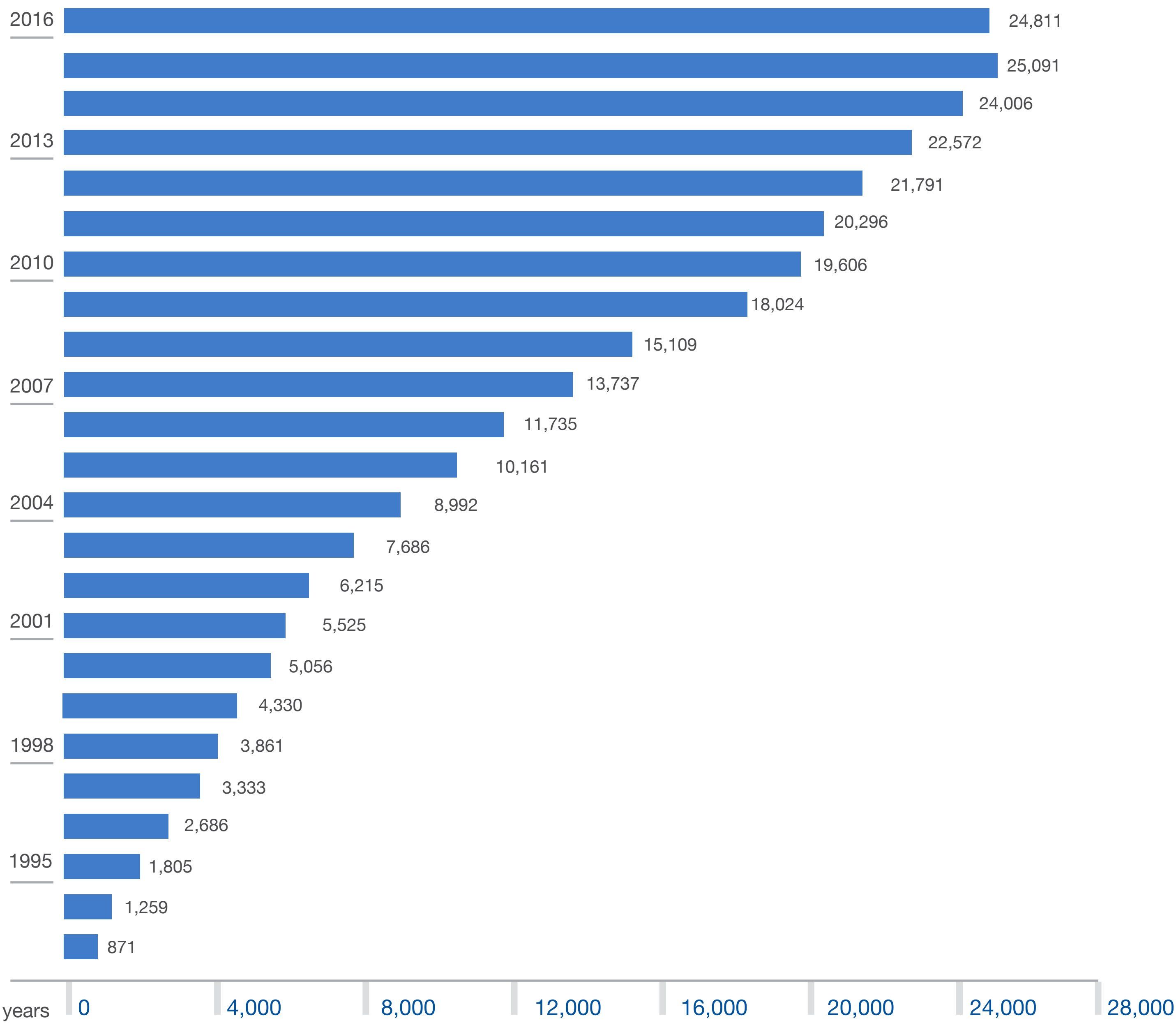
on three activities: issuing of Centurion, Platinum, and Gold cards; settlement of any balances due in all our branches; and marketing and installation of merchant POS terminals; iii) the first-in-Lebanon service that offers e-commerce recurrent payments in a secure, PCI-compliant manner, the customers being the two mobile operators Alfa and touch; iv) the rejuvenated reward program, BLOM Golden Points, with the game-changing enhancement that allows purchases with our cards to be settled in points rather than cash; and v) the BLOM Income Plus Note, which guarantees the holder of the Bank's shares a return of 8.2% per annum for 45 months but with the principal subject to share price movements, and whose issue was heavily subscribed at more than USD 70 million in one month.

At the level of inter-bank relations, the Bank, as one of the two biggest banks in Lebanon, is in continuous cooperation with BDL to shore up monetary and financial stability. Towards that end, the Bank participated in BDL's swaps in the Summer and Fall of 2016 to strengthen the foreign assets of the Central Bank. BLOM BANK made USD 413 million in after-tax extraordinary income from these operations but none of it was recorded as net profit in 2016: USD 173 million were taken as provisions per IFRS 9; USD 110 million were deferred; USD 72 million were used to write off and deconsolidate investments in Syria; USD 13 million were used as impairement of goodwill on BLOM Egypt; and USD 45 million as tax expense. It is an additional marker of the Bank's solid standing that it could increase its net profit to USD 462.8 million without claiming any of the extraordinary income from the swaps as part of it. Additionally, the Bank's strong financial position was also reflected in its stock price and market outcomes. BLOM BANK's share price rose by 17.02% in 2016, higher than any listed bank, and increasing its market capitalization to USD 2.37 billion. Also, its earnings per share rose by a good 18.71% to USD 2.20, and all major sell-side institutions gave it a BUY recommendation with a target price of at least USD 12. And on April 7, 2017, the Bank's General Assembly voted to distribute 1,500 LL per share, constituting a payout ratio of 49%. Moreover, good returns did not only accrue to the Bank's stakeholders, but to the community at large through BLOM BANK's pioneering and extensive CSR activities, including the BLOM Beirut Marathon that the Bank reclaimed in 2016.

Lastly, I am confident that BLOM BANK will maintain its position as a leading regional bank in Lebanon, thanks to its valued customers, its talented staff, its strong management, and its worthy shareholders. And we look forward together to more successes in the future, especially in a recovering Lebanon and stabilizing region.

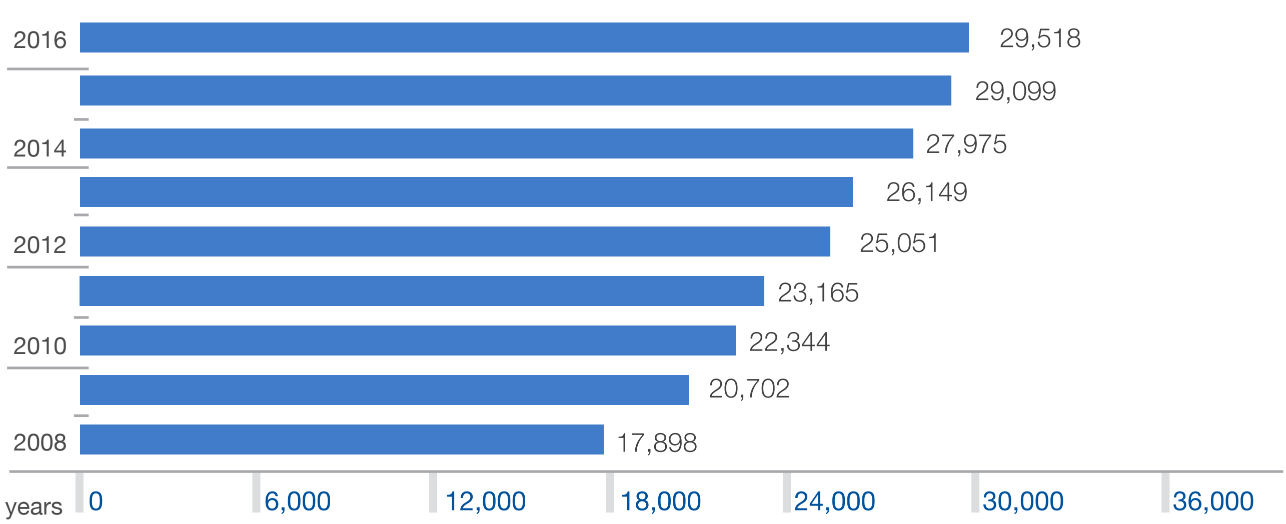
Mr. Saad AZHARI
Chairman and General Manager

Consolidated Customers' Deposits Evolution (in USD Million)

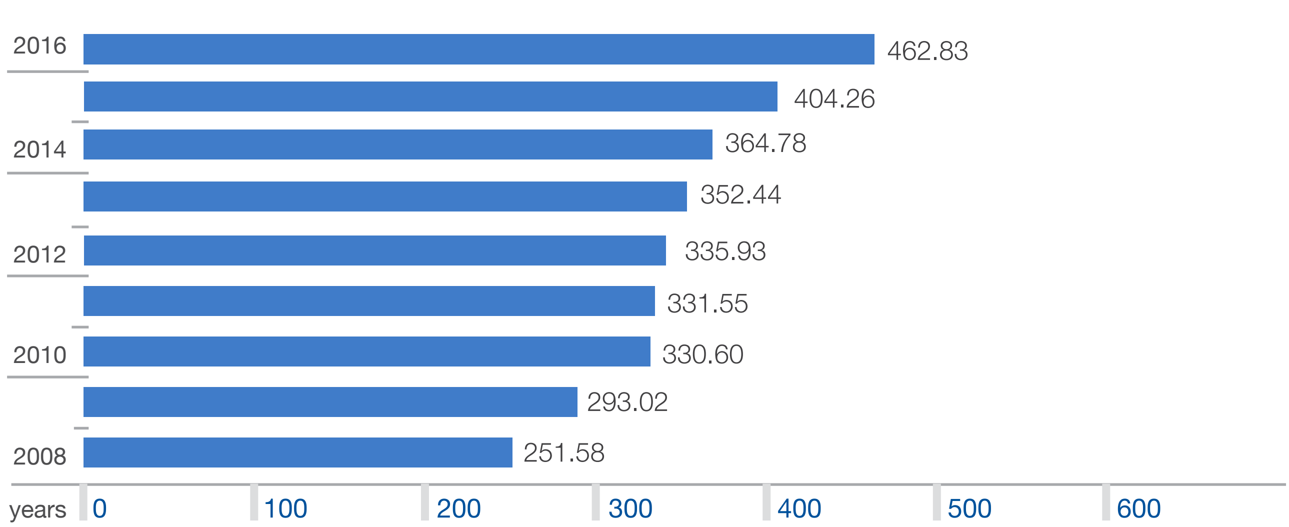


Strong and Continuous Growth

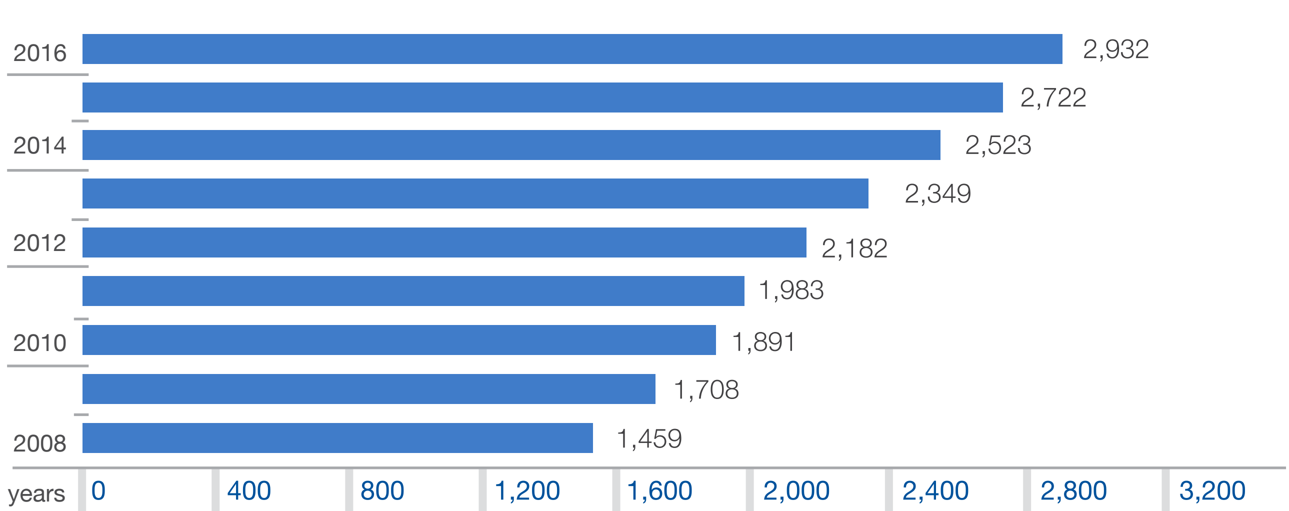
Total Assets (in USD Million)



Net Profits (in USD Million)



Total Capital Funds (in USD Million)



Evolution of Main Indicators

(in USD Million)	2016	2015	Change 16/15
Assets	29,518	29,099	1.4%
Net Loans and Advances to Customers	7,164	7,196	-0.4%
Customers' Deposits	24,811	25,091	-1.1%
Tier 1 Equity	2,922	2,712	7.8%
Capital Funds	2,932	2,722	7.7%
Net Liquid Assets	18,237	16,547	10.2%
Net Profits	462.83	404.26	14.5%

Consolidated Financial Ratios

(in % or USD)	2016	2015
Liquidity Ratios		
Net liquidity in LL	105.25%	98.42%
Net immediate liquidity in FC	60.83%	53.97%
Liquid assets over total assets	62.49%	57.77%
Liquidity in Total Currency	74.44%	66.57%
Loans to Deposits Ratios		
LL	20.88%	21.36%
FC	32.35%	31.54%
Total	28.88%	28.68%
Asset Quality		
Net Non-Performing Loans / Net Loans	0.44%	1.61%
Gross Non-Performing Loans / Gross Loans	4.19%	4.40%
Coverage of Non-Performing Loans (Monetary provisions)	89.94%	64.81%
Coverage of Non-Performing Loans (Monetary provisions & Real guarantees)	140.10%	130.59%
Capital Adequacy Ratios		
After dividend distribution (Basel III)	19.85%	17.64%
Profitability Ratios		
Return on average equity	16.43%	15.48%
Return on average equity (Common)	17.09%	16.00%
Return on average assets	1.58%	1.42%
Cost-to-income ratio	35.90%	36.80%
Earnings per share	USD 2.20	USD 1.86
Book value per common share	USD 12.92	USD 12.05
Dividend per common share	USD 0.995	USD 0.829
Dividend payout ratio	49.16%	44.92%
Retention ratio	50.84%	55.08%
Dividend Yield*	8.51%	8.09%

** Prices as at last trading date*

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

- Administration
- Branch Network Management
- Central Funds Transfer
- Central Operations & Group Strategic Planning
- Communications
- Corporate Credit & Relationship
- Corporate Secretary
- Credit & Facilities
- External Legal Affairs
- Finance
- Financial Institutions
- Financial Markets
- Group Compliance
- Group Customer Advocacy - Lebanon
- Group Inspection
- Group Internal Audit
- Group Risk Management
- Human Resources
- Information Systems
- Internal Legal Affairs
- Liability Product Management
- Marketing Overseas
- Marketing Overseas - Gulf Region
- Properties & Facilities
- Recovery
- Retail Banking
- Risk Management - Lebanon
- SMEs Relationship
- Trade Finance
- Treasury

Committees

- Asset Liability Committee
- Bidding Specification & Evaluation Committee
- Credit Committee 1
- Credit Committee 2
- Executive Committee
- Exceptional Credit Committee
- Fatca / CRS Committee
- Follow-up Credit Risk Committee
- Foreign Branches & Subsidiaries Committee
- Human Resources Committee
- Internal Audit Committee
- Information Systems Security Committee
- Information Systems Committee
- Investment & Treasury Committee
- Legal Committee
- Marketing Committee
- Operations & Internal Procedures Committee
- Provisions Committee
- Purchasing & Maintenance Committee
- Retail Credit Committee
- Security & Safety Committee
- Social Responsibility Committee
- Succession Planning Committee (Jordan Branches)
- Succession Planning Committee

Branch Managers

73 in Lebanon **1** in Cyprus **14** in Jordan **1** Representative office in Abu Dhabi **2** in Iraq

BLOM BANK S.A.L.

Head Office: Beirut
Branches: Lebanon - 73 Branches - Cyprus - Jordan (14 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%

99.93%
BLOMINVEST BANK S.A.L.
Head Office: Beirut

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 - 34 Branches

48.97%
39.75%
19.75%

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

BLOM BANK (SWITZERLAND) S.A.
Head Office: Geneva

51%

BLOM EGYPT SECURITIES S.A.E.
Head Office: Cairo
Branches: Egypt - 2 Branches

0.25%

AROPE INSURANCE OF PROPERTIES & RESPONSIBILITIES - Egypt S.A.E.
Head Office: Cairo
Branches: Egypt - 4 Branches
Point of Sales: 28

60%

80%

AROPE LIFE INSURANCE - EGYPT S.A.E.
Head Office: Cairo
Branches: Egypt - 4 Branches
Point of Sales: 28

0.25%

As at March 31, 2017

PRUDENCE


Trust your instincts,
but be cautious.

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 September 2016. 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.

BLOM BANK is the first bank in Lebanon to have a Lead Director who is an independent member of the Board of Directors elected annually by other independent members. The Lead Director 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.

The Bank recognizes the paramount importance of Corporate Governance for its proper functioning and for the creation of an optimal operational environment. The Board itself partly exercises its duties and authorities through five 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) and is the body ultimately responsible for ensuring the best possible practice of Corporate Governance at BLOM BANK.

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.

The Code is published on the Bank's Website. Relevant information on the Board structure and shareholders rights were made available to the public in compliance with the disclosure requirements of the Code.

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. In addition, BLOM BANK joined the United Global Compact network and committed to align its operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption.

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 forecast for 2017 to be spent on environmental, social, economic and governance driven initiatives.

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	15.22 %
Chaker Family	Lebanon	7.86 %
Azhari Family	Lebanon	7.53 %
Jaroudi Family	Lebanon	2.68 %
Saade Family	Lebanon	2.53 %
Khoury Family	Lebanon	1.89 %
Actionnaires Unis	Lebanon	1.83 %
Rest of Shareholders		26.09 %
Total		**100.00%**

** As at 31st March, 2017.*
*** 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
Mr. Amr N. AZHARI	Director & General Manager	Master in Business Administration	Director since April 2015
Dr. Jassim A. AL-MANNAI	Director	Doctorate in Economic Development	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 Degreee	Director since April 2017
Me. Aimée SAYEGH	Corporate Secretary Secretary of the Board		

Sheikh Salim B. EL-KHOURY	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 latter being 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.).

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.

- 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.
- 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 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.
- Elected by the Independent Directors in 2016 as Lead Director for BLOM BANK S.A.L. for 1 year
- 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.

Mr. 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.

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

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

Currently based in Dubai, Mr. EL ZEIN is a Partner with Spinnaker Capital Group; a leading global Emerging Markets investment manager. Mr. EL ZEIN is a Managing Partner for Spinnaker Capital (Middle East) Limited; he is responsible for managing Spinnaker's financial investments in the Middle East and North Africa. He joined Spinnaker Capital Group in 2008.

From 1994 – 2008 Mr. EL ZEIN worked at Credit Suisse in the Investment Banking and Capital Markets divisions mostly in London. As a Managing Director based in London and Dubai, he was responsible for the institutional liability management, Debt and Equity Capital Markets in the MENA region, he also lead the Investment Banking Coverage, and Emerging Europe Debt Capital Markets. During his tenure at Credit Suisse, he was the lead banker for numerous Landmark transactions in international bond issuances, IPOs, Merger & Acquisition, and privatizations transactions for major Corporates, Financial Institutions and Governments.

From 1988 - 1994 Mr. EL ZEIN was a Director with Deutsche Bank AG, London, where he was the Head of Southern Europe and Middle East Fixed Income.

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

From 1980 - 1981 he was an Analyst at the Central Bank of Lebanon, Beirut, at the Office of the Governor.

He has been a member of the Board of Directors of the Beirut Stock Exchange since 1998, and served between 2007-2008 on the Board of Directors of Credit Suisse-Lebanon.

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

Dr. Jassim A. AL-MANNAI

Independent Director of BLOM BANK S.A.L.

- Member of the Board Audit Committee of BLOM BANK S.A.L.
- 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
Non-Executive 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.

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.

5.3 Board Meetings Held in 2016

The following BLOM BANK S.A.L. board meetings were held during 2016

18/3/2016 **14/4/2016** **16/7/2016** **16/9/2016** **2/12/2016**

6. Information on Key Members of BLOM BANK S.A.L. Management

Dr. Amine A. AWAD

General Manager 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.

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 25 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.

(*) Starting April 7, 2017

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).

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 has an extensive experience in leading mission-critical transformation and implementation initiatives in digital, core banking and financial services. 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.

No change of control has occurred during 2016.

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. 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 Management	Mrs. Nathalie GHARIOS
Central Funds Transfer	Mrs. Rima HAJJAR (EL)
Central Operations & Group Strategic Planning	Mr. Talal IBRAHIM
Communications	Mrs. Isabelle NAOUM
Corporate Credit & Relationship	Mr. Samir KASSIS
Corporate Secretary	Me. Aimée SAYEGH
Credit & Facilities	Mr. Mounir TOUKAN
External Legal Affairs	Me. Grace ASMAR
Finance	Mr. Talal BABA
Financial Institutions	Mrs. Rana BEYDOUN
Financial Markets	Mr. Marwan ABOU KHALIL
Group Compliance	Mr. Malek COSTA
Group Customer Advocacy - Lebanon	Mrs. Ayla DAME
Group Inspection	Mr. Naoum RAPHAEL
Group Internal Audit	Mrs. Rania KAISSI
Group Risk Management	Mr. Gerard RIZK

DIVISIONS, DEPARTMENTS & UNITS*	
Human Resources	Dr. Pierre ABOU EZZE
Information Systems	Mr. Antoine LAWANDOS
Internal Legal Affairs	Me. Nabil ABOU HAMAD
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

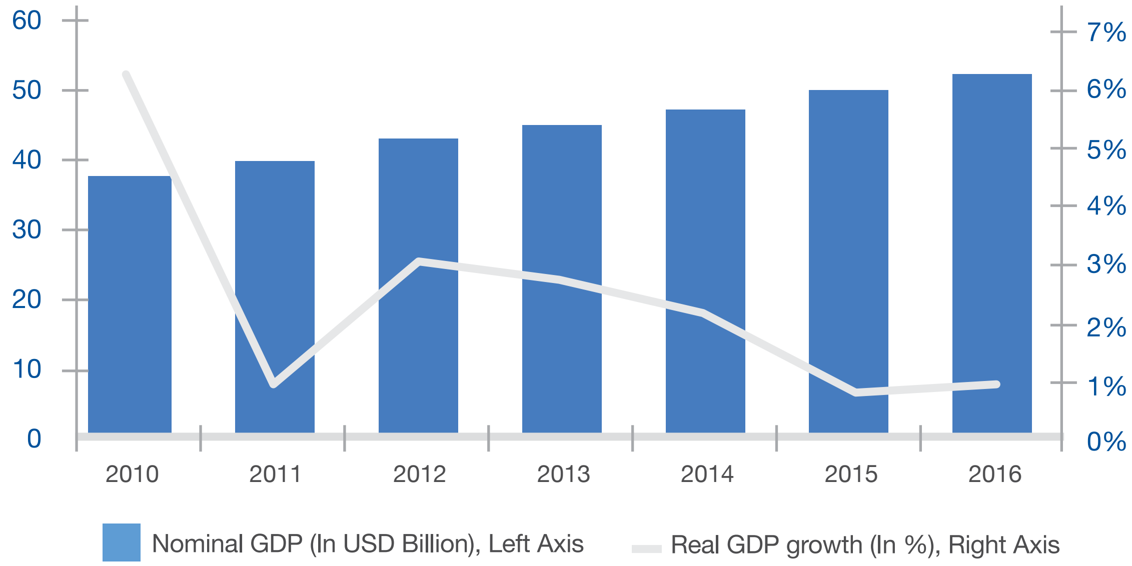
(*) As of April 2017


PROFESSIONALISM
Be meticulous and original.

Management Discussion & Analysis 2016

1. The Operating Environment in Lebanon

Lebanon's Real GDP Growth and Nominal GDP



The backdrop in neighboring Syria and more recently in Gulf Cooperation Council (GCC) countries is negatively impacting Lebanon. Lebanon's real GDP growth is estimated to have stood at 1% in 2015 by the International Monetary Fund (IMF) which also estimates a similar growth for 2016. However, the fund notes that it is unlikely for Lebanon to reach its potential growth before at least 2018. The Syrian spillovers due to the six-year long civil war are weighing on Lebanon's already-weak infrastructure, fragile labor market and trade activities (disruption of trade routes, illegal smuggling). Meanwhile, the remittances sent by Lebanese expatriates working in GCC countries are likely to decline after the drop in oil prices slowed growth in the oil-exporting countries.

The political deadlock in Lebanon came to an end in 2016. After two and a half years of void, a president was finally elected and shortly thereafter a prime minister was appointed and a cabinet was formed. These breakthroughs were necessary to restore confidence and marked a step in the right direction towards addressing critical pending issues and enacting structural reforms.

In spite of the positive political developments, government reforms are still needed to restore confidence. It is true that in 2016, the Balance of Payments registered its first surplus since 2011, the number of tourists grew and the number of real estate transactions improved. However, regaining real confidence in the economy can only be achieved if the government enacts serious reforms.

The policy makers' agenda is heavy and sorting key issues will necessitate long-term endeavors. The salary scale adjustment for public sector employees, the laws on rent control, the rising debt burden, the fiscal imbalances, reinvesting in the inadequate infrastructure to increase potential growth and the inefficiencies in the electricity sector are all waiting to be addressed.

In its latest macroeconomic assessment for Lebanon, the IMF reiterated what it believes are key steps to be taken by Lebanese policymakers. The IMF's suggested economic reforms for Lebanon are an increase in the corporate income tax rate from 15% to 17%, the introduction of a capital gains tax on real estate, an increase in the rate on interest income tax from 5% to 7%, an increase in the VAT rate from 10% to at least 11%, an increase in tobacco excises and new stamp duties and fees. The IMF also suggested that the VAT on diesel needs to be restored and that gasoline excises which were alleviated in 2012 need to be upped back to their previous levels.

1.1 The Outlook of the MENA Region

Selected Economic Indicators for Selected MENA Countries – IMF Estimates

Country	Subject Descriptor	2016e	2017f
Egypt	Real GDP, Percent change	3.83	3.95
	Inflation, Percent change	10.20	18.24
	Fiscal Balance, Percent of GDP	-12.02	-9.69
	Current account balance, Percent of GDP	-5.81	-5.20
Jordan	Real GDP, Percent change	2.75	3.25
	Inflation, Percent change	-0.53	2.35
	Fiscal Balance, Percent of GDP	-3.80	-4.03
	Current account balance, Percent of GDP	-9.04	-8.93
Qatar	Real GDP, Percent change	2.63	3.36
	Inflation, Percent change	3.01	3.05
	Fiscal Balance, Percent of GDP	-7.57	-10.14
	Current account balance, Percent of GDP	-1.84	0.04
Saudi Arabia	Real GDP, Percent change	1.19	1.98
	Inflation, Percent change	4.02	1.98
	Fiscal Balance, Percent of GDP	-13.02	-9.47
	Current account balance, Percent of GDP	-6.63	-2.57
United Arab Emirates	Real GDP, Percent change	2.26	2.50
	Inflation, Percent change	3.55	3.13
	Fiscal Balance, Percent of GDP	-3.86	-1.93
	Current account balance, Percent of GDP	1.13	3.19

The year 2016 can be best described as "the year of persisting macroeconomic challenges" for countries in the Middle East and North Africa (MENA). The shy recovery of low oil prices remained insufficient to partially restore the accumulating losses of oil-exporting countries or to allow the distressed oil-importing countries to reduce their trade deficits.

Economic growth in the GCC remained weak in 2016 as the persistent low oil prices kept on affecting the countries' fiscal and external balances. According to the IMF, economic growth is expected to have decelerated from 3.4% in 2015 to 1.7% in 2016. The IMF projects growth to slightly improve in 2017 to 2.3%.

Despite the austerity measures implemented in GCC countries, the cumulative fiscal deficits of the region are expected to extend to a considerable USD 475 billion during 2016-2021. In reality, the waning oil sector in most of the GCC countries has heavily impacted non-oil sector and government revenues forcing these countries to start fiscal consolidation over the year.

In the same context, the slow recovery in global oil prices during 2016 was insufficient to boost the current account of oil-exporting countries. As a matter of fact, the aggregate current account deficit is estimated at 3.7% of GDP in 2016 and 0.5% in 2017.

All this has also compelled GCC states to consider the fixed income market, which witnessed some of the prime debt offerings in the region. For instance, Saudi Arabia sold its first and largest sovereign bond issue in emerging markets' history, a USD 17.5 billion issue in October 2016. Similarly, Qatar, Abu Dhabi and Oman respectively raised USD 9 billion, USD 5 billion and USD 2.5 billion in debt offering.

Oil-exporting countries will have to implement additional measures to decrease their dependency on oil and diversifying towards the non-hydrocarbon sector. Among these, fiscal reforms to reduce spending and increase revenues should be taken into consideration. Implementing taxes such as excise and value-added taxes will help in boosting fiscal revenues in the coming year and accommodating to the low-prices environment.

When it comes to oil-importing countries, besides the existing economic strains, political crises and intensifying conflicts in different countries marked most 2016, erasing any potential gain from the ongoing low oil prices. Erratic spillovers from war-ridden states even prevented economic progress in the relatively more stable oil-importing countries. Still, according to the World Bank, real GDP growth rate in these countries remained stronger than that of the GCC countries after reaching 2.7% in 2016, still below 2015's level of 3.2%.

While the majority of oil-importing countries either recorded stagnation or slightly declined in 2016, Tunisia had a brighter economic outlook. In fact, real GDP growth registered an uptick from 0.8% to an estimate of 2%, as a result of rising investment and government spending according to the World Bank.

Meanwhile Egypt is undertaking serious efforts to revive its economy. The country secured a USD 12 billion loan from the IMF and floated its currency to ease a foreign currency shortage that was negatively impacting its businesses.

Downside risks from possible geopolitical developments will keep on wavering potential benefits in oil-importing countries from the currently low level of global oil prices. Hence, the uncertain security climate is expected to hinder 2017's investment progress and economic expansion.

1.2 Country in Focus

Despite the major political breakthroughs and the Central Bank's continuous efforts, economic progress in Lebanon remained marginal in 2016. The presidential election of General Michel Aoun and the cabinet formation, in the last quarter of the year, failed to considerably boost economic growth, as revealed by the real Gross Domestic Product (GDP) growth that is estimated, according to the IMF, at 1% for the year 2016.

Private sectors' business conditions continued to deteriorate, in 2016, with an average PMI of 45.7, compared to 48.4 in 2015. However, the PMI improved towards the year-end to a ten-month high of 47.0 in December 2016 signaling a moderate deterioration in the health of Lebanon's private sector activity. Despite having been at a record low in October 2016, the index's average over the final quarter as a whole was the highest recorded since the opening quarter of 2016.

When it comes to inflation, pressures resulting from the increasing oil prices slowed down deflation in 2016. The average inflation rate stood at -0.8% in 2016, compared to an average of -3.7% in 2015. December 2016's inflation rate of 3.14% pulled up the average inflation rate mainly due to the rise in the number of tourists during the last month of the year.

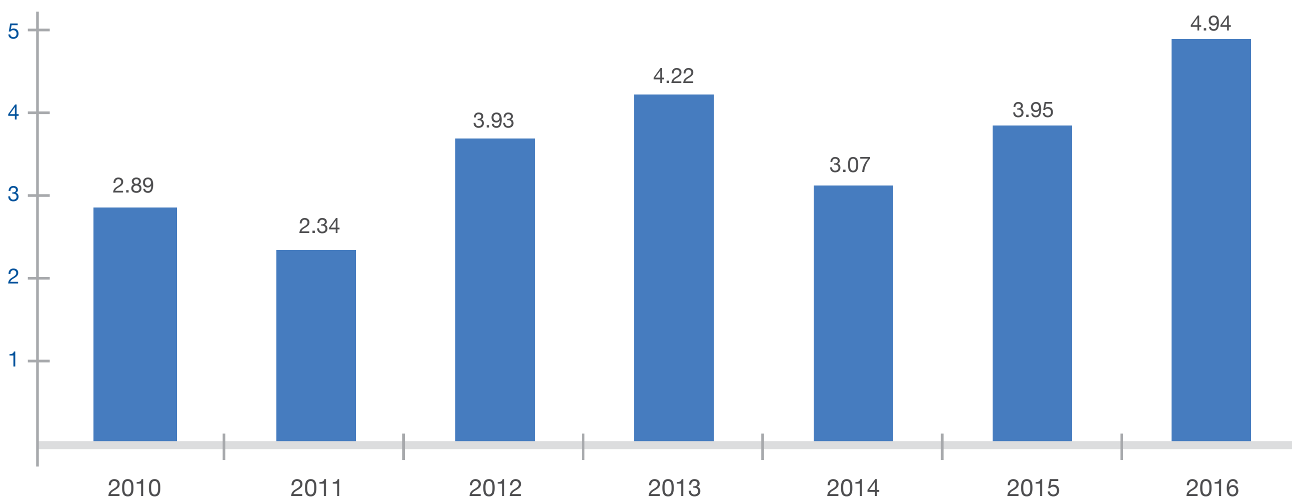
Lebanon's tourism sector is still witnessing a shy recovery after reaching its lowest levels in 2013. As such, the number of tourists grew by a yearly 11.23% by December 2016 while their spending plunged by 9%. This can be explained by the decreasing number of incomers from the GCC countries that used to be the heaviest spenders in Lebanon. In fact, the increase in tourists' number in 2016 could be partly linked to Iraqi refugees relocating to Lebanon after escaping their mother country where security conditions were worsening. In addition, according to Ernst & Young Middle East hotel benchmark survey, Lebanon's hotel occupancy rate averaged 59% in 2016, up by 1 percentage point from its value a year earlier.

Similarly, the real estate sector was on the road of recovery, supported by the country's end of year political breakthroughs and the relatively more stable security situation on the local level. Progressing real estate activity was translated by a 1.92% yearly rise in the total number of property transactions. Similarly, real estate supply rose in 2016 with developers increasing their new projects as reflected by the broadening construction activity. The number of construction permits registered a 13.29% yearly rise.

On the external front, the Balance of Payments (BoP) improved in 2016, recording a surplus of USD 1.24 billion by the end of the year, compared to a deficit of USD 3.35 billion in 2015. Despite lower Foreign Direct Investment (FDIs) and broadening trade deficit, the execution of the BDL's Swap operation was the main driver of the BoP surplus.

Lebanon's fiscal deficit widened by 25.09% year-on-year (y-o-y) to USD 4.94 billion by the end of 2016. This was attributed to the 9.90% yearly increase in government expenditures outpacing the 3.63% annual rise in fiscal revenues. During the same period, the total primary balance displayed a surplus of USD 21 million by the end of 2016 compared to a higher primary surplus of USD 724 million by December 2015.

Lebanon's Fiscal Deficit (In USD Billion)

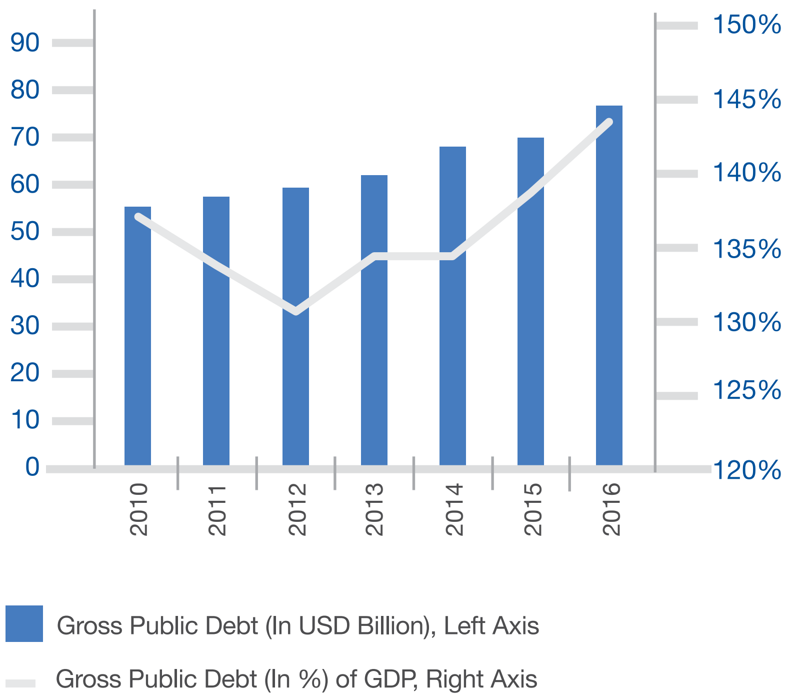


Source: Ministry of Finance

Total government revenues stood at USD 9.92 billion by December 2016, compared to a lower level of USD 9.58 billion by December 2015. Tax revenues, constituting the largest share of total public revenues, increased by a yearly 2.59% to USD 7.03 billion. In details, VAT revenues (grasping a 30.52% share of tax receipts) rose by 2.38% y-o-y to USD 2.15 billion, and custom revenues (19.98% of tax receipts) added 2.57% to USD 1.40 billion, over the same period. As for telecom revenues (12.75% of total government revenues), they witnessed an incline of 2.51% y-o-y to USD 1.27 billion.

As for expenditures, total government expenditures rose by 9.90% to USD 14.87 billion by the end of the year. Regarding transfers to Electricite du Liban, they dropped by 18.33% annually to USD 927 million, mainly due to the continuous decline in oil prices. In contrast, interest payments on government's debt went up 6.90% to USD 4.77 billion, due to the 6.52% rise in interest payments on domestic debt to USD 3.06 billion, and the 7.57% rise in the interest payments on foreign debt to USD 1.71 billion. As such, debt service grew by 6.16% to stand at USD 4.97 billion by December 2016.

According to the Ministry of Finance, Lebanon's gross public debt ended the year with a 6.51% yearly rise to stand at USD 74.89 billion by December 2016, the equivalent of 144% of GDP. In details, debt in local currency, LBP, grasping 62.47% of the total gross public debt, grew by 8.18% y-o-y to USD 46.79 billion and debt in foreign currency increased by 3.83% y-o-y to USD 28.10 billion by December 2016. In its latest consultation for Lebanon, the IMF reiterated the need for Lebanese policy makers to put debt back on a downward, more sustainable path. The IMF noted that if no fiscal adjustments are made, the financing of the public debt will crowd out much needed public investments and social spending.



The monetary front remained resilient amid economic and political difficulties 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 12% yearly increase to USD 102.32 billion by 2016. Foreign reserves (excluding gold) escalated by 9.75%, to stand at USD 40.71 billion, equivalent to 26 months of imports, a high level of liquidity to protect the pegged currency. As for money supply, broad money M3 grew 7.4% y-o-y, to stand at USD 132.8 billion by the end of 2016.

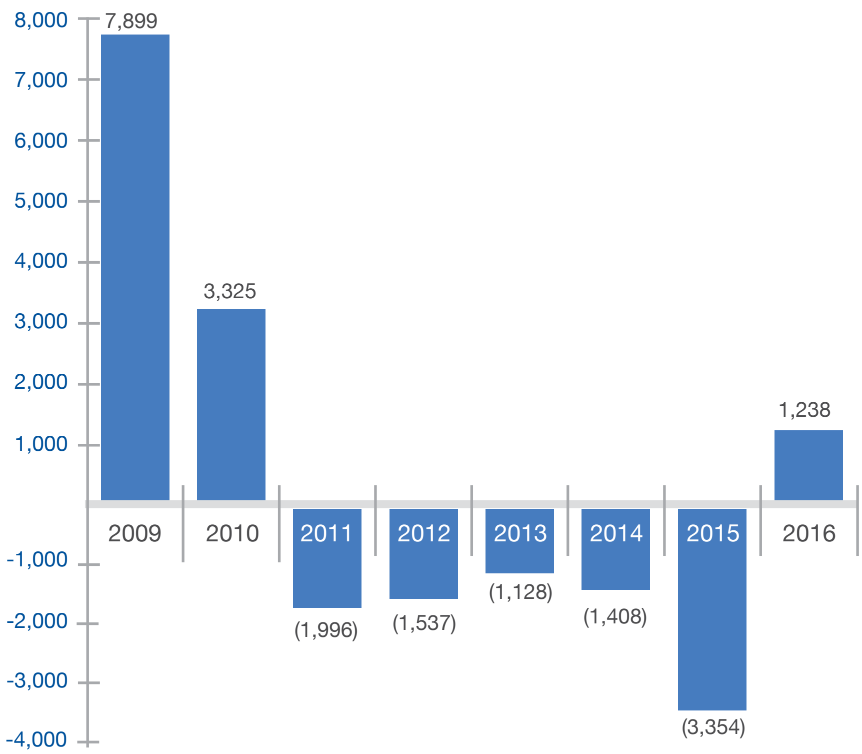
The balance sheets of the Lebanese commercial banks revealed a 9.85% yearly progress in assets to stand at USD 204.31 billion, end of this year. This came mainly as a result of 5.45% yearly increase in loans to the private sector to USD 57.18 billion. As for the banks' liabilities, resident private sector deposits and non-resident private sector deposits escalated by a yearly 7.36% and 6.86% to USD 128.53 billion and USD 33.63 billion respectively by December 2016. The dollarization ratio for deposits hiked slightly from 64.88% in December 2015 to 65.82% in December 2016.

The Lebanese Bourse was affected by the political and economic developments in the country during the year as the BLOM Stock Index (BSI) ended the year at 1,212.73 points, up by a yearly 3.77%. Traded shares reached 108.25 million shares worth USD 884.73 million in 2016, increasing from 55.2 million shares worth USD 496.85 million in 2015. As for the market capitalization, it broadened from USD 9.72 billion to USD 10.20 billion at end of 2016.

The Lebanese banking sector

At the onset of 2016, the outlook for the banking sector and the country's external position were less than optimal. The growth of non-resident deposit inflows, which are crucial to meet Lebanon's large foreign-currency financing needs, started to slow as of mid-2015. The reasons for the slowdown are mainly the fall in foreign direct investments (FDI) to Lebanon and tighter liquidity in the GCC countries. More so, in 2015 the Lebanese Balance of Payments (BoP) registered its highest deficit in five years of USD 3.35 billion.

Balance of Payments (In USD Million)



Source: Central Bank of Lebanon

Given the factors stated above, the Central Bank of Lebanon engineered a unique USD 13-15 billion swap operation with Lebanese banks starting June 2016. The Central Bank of Lebanon sought to boost its foreign reserves position by selling Eurobonds it had acquired from the Ministry of Finance to Lebanese banks in exchange for an immediate discounting of the banks' holdings of Treasury bills or Certificates of Deposits (CDs).

The outlook turned brighter after the execution of the Central Bank's financial engineering. The swap operation resulted in higher foreign reserves at the Central Bank, lower foreign currency liquidity at commercial banks and sizeable profits for Lebanese banks which will be directed towards meeting provision requirements, capital adequacy requirements and any IFRS 9 requirements before its implementation in 2018. The Balance of Payments also turned positive with a surplus of USD 1.24 billion in 2016, the first ever surplus since 2011.

The swap operation directly and/or indirectly boosted the top listed banks' financial results for 2016, and that reflected positively on their stock prices. Bank Audi's profit grew by a yearly 16.6% to USD 470 million, BLOM Bank's profit increased by a yearly 14.5% to USD 463 million and Byblos Bank's profit rose by a yearly 2.4% to USD 165 million. At the end of the trading session of February 3rd, 2017, BLOM Bank's GDR shares hit the USD 12.01 mark, the highest share price since early October 2010. Bank Audi's GDR shares gained a daily 0.88% to USD 6.88 and Byblos Bank's listed shares inched up by a daily 1.17% to USD 1.73. It is important to note that these results were realized despite the tough operating environment in Lebanon and in many MENA countries where the banks' foreign entities operate.

In spite of the tough operating environment, the Lebanese banking sector remains one of the strongest sectors in Lebanon. Alpha Banks, the group of banks whose deposits exceed USD 2 billion, saw their consolidated assets grow by an annual 6.51% to USD 216.92 billion by end of 2016. Lending activity was also robust with net loans and advances to customers rising by 2.17% year-on-year to USD 65.13 billion of which USD 46.06 billion were domestic loans and USD 19.07 billion foreign loans. Customer deposits remained strong with an annual growth of 3.89% to USD 174.85 billion.

The lending function of Lebanese commercial banks has been especially supported by the Central Bank of Lebanon since 2013. Given the tough operating environment, the Central Bank of Lebanon sought to offer soft loans to Lebanese banks so that they could later lend them at favorable terms to productive economic sectors such as tourism, agriculture, industry, IT, environment, housing and education. The stimulus package for 2016 amounted to USD 1 billion with the option of disbursing any amounts left from 2015's stimulus package.

Lebanon's Alpha banks remained liquid and profitable. The net primary liquidity-to-deposits ratio increased from 31.5% in 2015 to 36.5% in 2016. The Alpha Group's profits grew by an annual 11.9% to USD 2.27 billion in Dec 2016. With regards to return ratios, they also improved with the Return on Average Assets (ROAA) at 1.08% and the Return on Average Common Equity (ROAcE) at 13.02% in 2016.

Lebanese banks are still the main financiers of the government. This exposure to the sovereign is often cited as vulnerability by the top rating agencies. By November 2016, commercial bank's holdings of Treasury Bills and Eurobonds had declined by an annual 8.49% and by 8.15% since year-start to reach USD 34.72 billion.

If macroeconomic imbalances are restored then positive prospects for the economy and by transition for the banking sector lie ahead. Up until now, the Lebanese government has never defaulted on its debt and confidence in the financial system as a whole is strong, especially since it withstood several shocks in the past. However, in its most recent Financial Sector Assessment Program (FSAP) for Lebanon, the IMF highlights that with no reforms enacted, the Central Bank is burdened with the entire weight of ensuring stability of the exchange rate and the financial system but also of boosting economic growth and financing the government. Over the long-term, the IMF warns that fiscal adjustment is needed to complement the Central Bank's support function.

2. Overview

In 2016, BLOM BANK witnessed another successful year marked by a strong performance in profitability, a solid financial position, and a more diversified menu of products and services.

BLOM BANK's status as the leading banking group in Lebanon was reinforced by continuing to be the most awarded bank. Awards received in 2016 and 2017 are:

The Banker
- Bank of the Year – Lebanon 2016

Euromoney
- Best Bank in Lebanon for 2017

Global Finance
- Best Treasury & Cash Management Provider in Lebanon 2017

Banker Middle East
- Best Retail Bank in Lebanon for 2017
- Best Commercial Bank in Lebanon for 2017

The Asian Banker
- Best Retail Bank in Lebanon for 2017
- Strongest Bank in Lebanon for 2016

EMEA Finance
- Best Bank in Lebanon for 2016
- Best Asset Manager in Lebanon for 2016 (BLOMINVEST BANK)
- Best Investment Bank in Lebanon for 2016

MENA Fund Manager
- Best Levant Asset Manager for 2016 (BLOMINVEST BANK)

The European
- Corporate Bank of the Year MENA 2017
- Bank of the Year Lebanon 2017

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 "B2", and S&P of "B-".

In 2016, as one of the largest and most profitable banks in the country, BLOM BANK's net profit reached USD 462.83 million higher by 14.49% from 2015, while total assets attained USD 29.52 billion and total customers' deposits stood at USD 24.81 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 2016, 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 two new branches in Lebanon, namely in Bekfaya and Chehim; noting, however, that Hamra Abed El Aziz branch merged with Hamra branch. Of interest also is the Bank's signing of an agreement in November 2016 to buy the assets and liabilities of HSBC branches in Lebanon, a process that is expected to be completed in June 2017.

The Bank has deconsolidated all its syrian operations effective year end 2016 (refer to note 14 in the Notes to the Consolidated Financial Statements for more information).

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 622.29 million in December 2016, up by 236.77% from 2009. The aim from these managed assets is the diversification in the sources of income that gives increasing share to non-interest income.

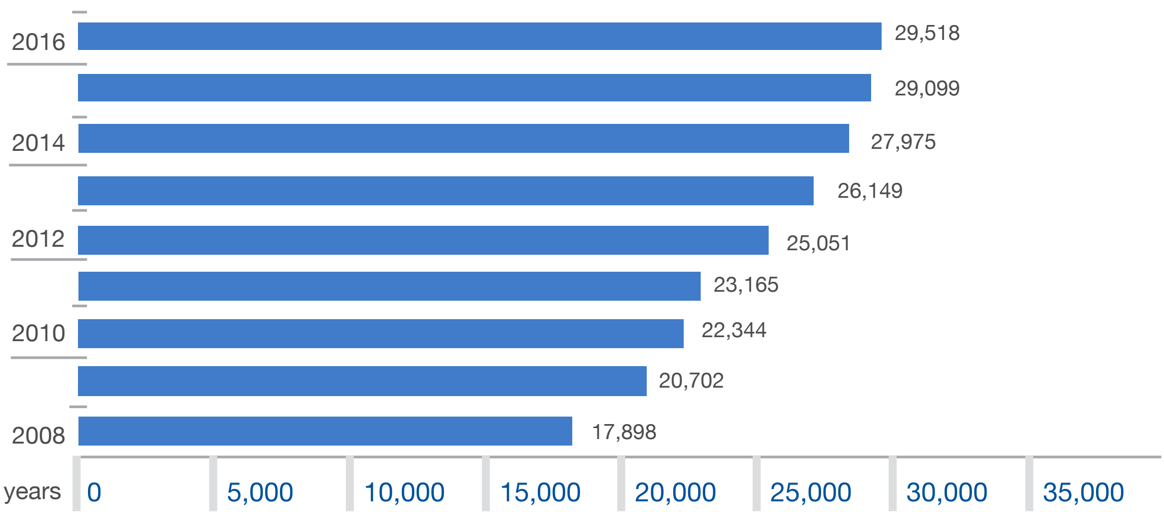
BLOM BANK will continue to pursue its growth strategy in the coming years by capitalizing on its distinguished resources and capabilities and its successful business model.

3. Total Assets

BLOM BANK's total assets continued to witness healthy growth rates in year 2016. Total Assets grew by 1.44% reaching USD 29.52 billion.

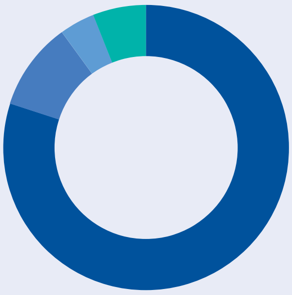
This resulted from the Bank's expansionary policy and the perceived confidence of expatriates in BLOM BANK Group as a trustworthy source of placing their deposits.

Evolution of Total Assets (in USD Million)



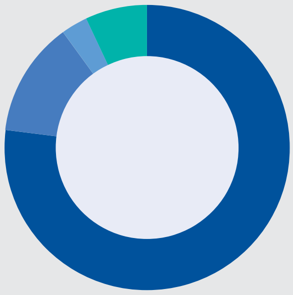
Total Assets by Region

2016



	%
Lebanon	81.3
MENA	9.1
Gulf	3.5
Europe	6.1

2015



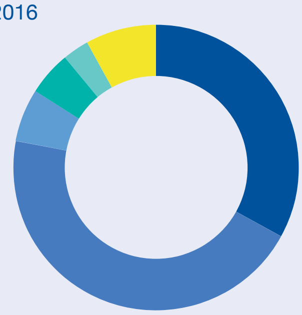
	%
Lebanon	77.0
MENA	13.6
Gulf	3.2
Europe	6.2

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

In terms of geographical allocation, BLOM BANK's overseas operations constitute 18.7% of consolidated assets with BLOM BANK France comprising the largest international market share of the Bank's assets.

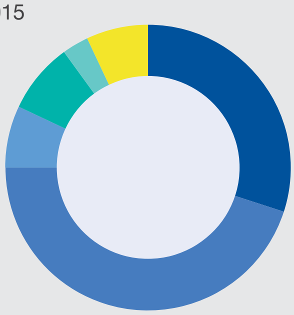
Total Assets by Currency

2016



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

2015

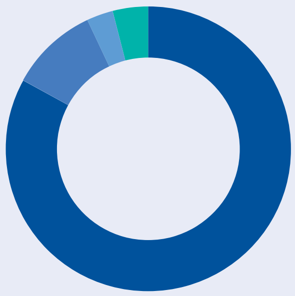


	%
LBP	30.3
USD	45.1
EURO	7.1
EGP	7.5
JOD	3.4
OTHER	6.6

Total assets by currency reveal that 45.9% are denominated in US Dollars followed by Lebanese Pounds at 33.6%.
The overall share of assets denominated in foreign currencies stood at 66.4% as compared to 69.7% a year earlier.

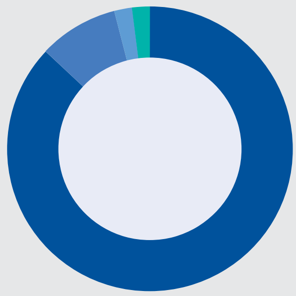
4. Sources of Funds

2016



	%
Customers' Deposits	84.1
Total Capital Funds	9.9
Deposits & Similar Accounts with Banks and Financial Institutions	2.5
Other Liabilities	3.5

2015



	%
Customers' Deposits	86.1
Total Capital Funds	9.4
Deposits & Similar Accounts with Banks and Financial Institutions	2.2
Other Liabilities	2.3

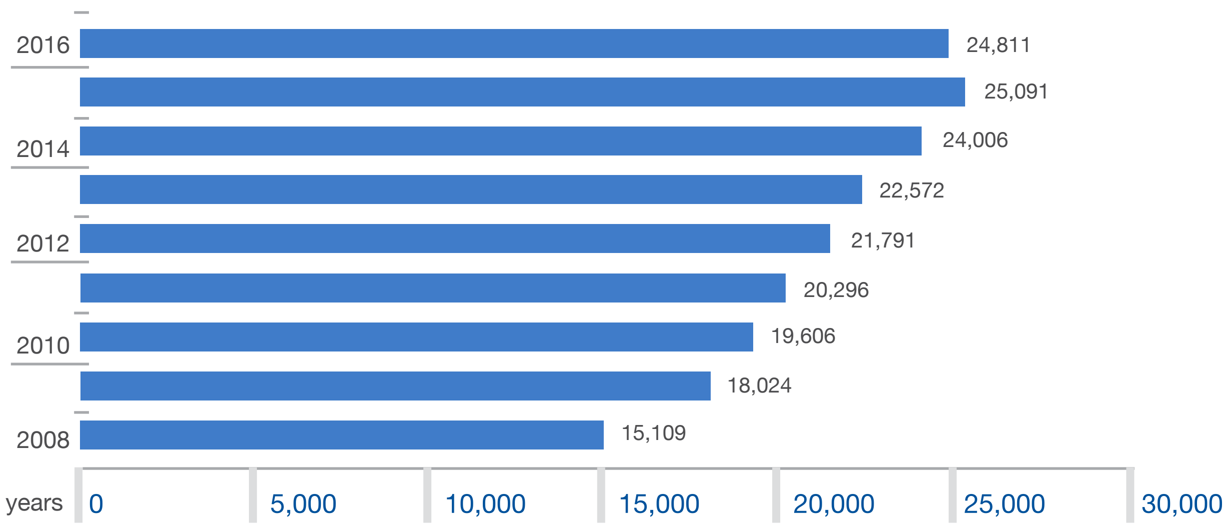
BLOM BANK's main sources of funding include customers' deposits and total capital funds. Customers' deposits funded 84.1% of the Bank's total assets in 2016, while total capital funds constituted 9.9% of total funds during same period.

4.1 Customers' Deposits

The existing confidence of depositors who opted for a safe and trustworthy haven for their funds positively impacted BLOM BANK's deposits in 2016. However, the sharp devaluation of the Egyptian Pound has adversely impacted the growth of customer deposits whereby they retreated by 1.1% reaching USD 24.811 million in year 2016. Due to the Egyptian Pound devaluation, customer deposits fell by 38.6% in Egypt when converted to USD but jumped by 45.1% when stated in local currency.

In addition, BLOM BANK's market share in terms of domestic deposits within the Alpha Group (Lebanese banks with deposits over USD 2 billion) amounted to 13.92% in 2016.

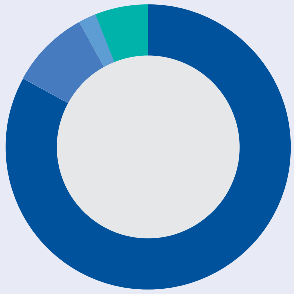
Evolution of Customers' Deposits (in USD Million)



Customers' Deposits by Region

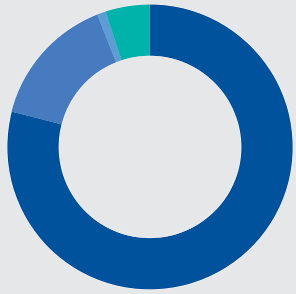
A concentration analysis of consolidated deposits by region reveals that Lebanon maintained the lead share with 83.0%, whereas regional and European countries' share was kept at 17.0%

2016



	%
Lebanon	83.0
MENA	9.0
Gulf	2.6
Europe	5.4

2015

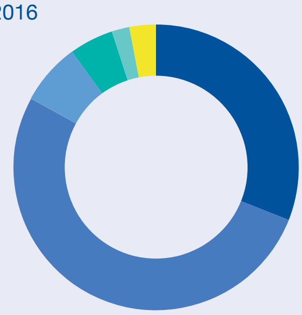


	%
Lebanon	79.2
MENA	13.4
Gulf	2.2
Europe	5.2

In addition, BLOM BANK's market share in terms of customers' deposits within the Alpha Group (Lebanese banks with deposits over USD 2 billion) amounted to 14.19% in 2016.

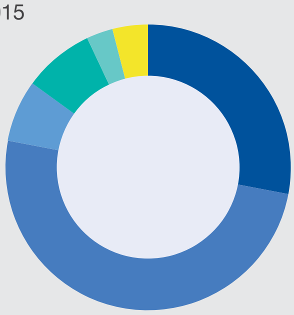
Customers' Deposits by Currency

2016



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

2015

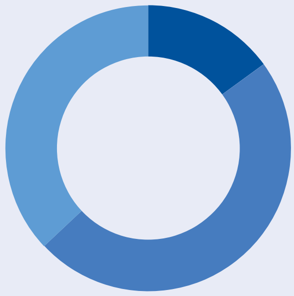


	%
LBP	28.1
USD	50.4
EURO	7.0
EGP	7.4
JOD	3.2
OTHER	3.9

With regards to foreign currencies' share of total deposit, they dropped by 2.1% in 2016 to settle at 69.8%. Over the same period, the dollarization rate accounted for 51.7% of total deposits.

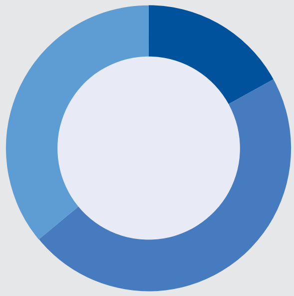
Customers' Deposits by Type of Client

2016



	%
Corporate	15.7
Individuals	47.9
High Net Worth Individuals	36.4

2015



	%
Corporate	17.0
Individuals	47.5
High Net Worth Individuals	35.5

A concentration analysis of consolidated deposits by type of client reveals that "Individual" deposits' share increased by 1.3% in 2016 to settle at 84.3% and "corporate" deposits' share decrease by 1.3% to reach 15.7%.

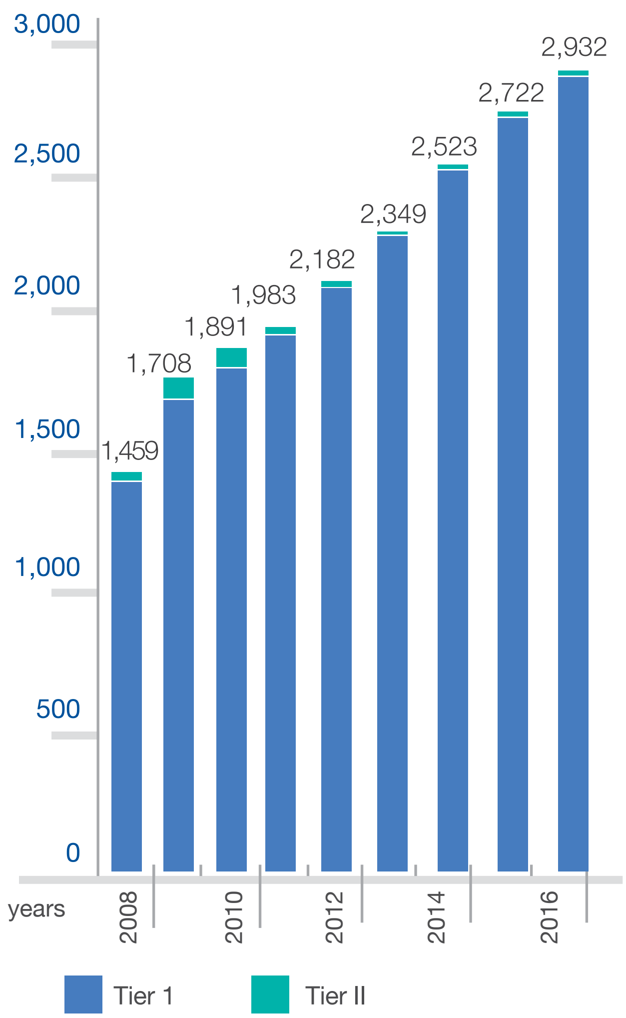
4.2 Capitalization (Tier I & Tier II Capital)

Total capital funds increased by 7.75% year-on- year to USD 2,932 million at the end of 2016, keeping its contribution of total funds at 9.9%.

In line with the Bank's strategy of growing organically at a steady pace, the increase in capital was attributed to retained profits of the year 2015 amounting to USD 205.3 million after dividend distribution.

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

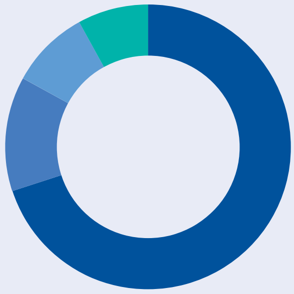
Tier I & Tier II Capital (in USD Million)



Capital Funds by Region

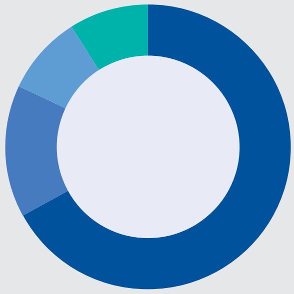
A concentration analysis of total capital funds by geographical distribution shows that Lebanon accounted for 73.8% at the end of 2016 (66.9% in 2015) and the remaining 26.2% were spread among countries in MENA, Gulf and Europe.

2016



	%
Lebanon	73.8
MENA	9.3
Gulf	8.6
Europe	8.3

2015



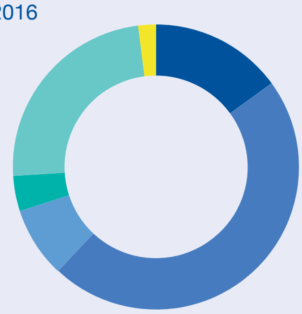
	%
Lebanon	66.9
MENA	15.3
Gulf	8.9
Europe	8.9

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 five years among the Alpha Group (Lebanese banks with deposits over USD 2 billion). The 2016 return on assets ratio recorded 1.58%.

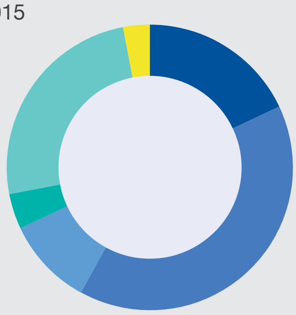
Within the overall uses of funds, the share of Lebanese Treasury Bills as well as other governmental debt securities to total assets decreased to 14.7% in 2016, down from 18.0% in 2015. Whereas the share of cash and deposits at the Central Bank to total assets increased to 46.7% in 2016 from 40.0% in 2015. The Bank's placements with other banks and financial institutions decreased to 7.3% of total assets in 2016 compared to 9.7% in 2015. On the other hand, the share of bonds and financial instruments with fixed income decreased to 4.0% in 2016, from 4.5% in 2015.

2016



	%
Lebanese Treasury Bills and other governmental bonds	14.7
Cash and Central banks	46.7
Banks & Financial Institutions	7.3
Bonds & Financial Instruments with fixed Income	4.0
Loans and Advances to Customers	24.3
Others	3.0

2015



	%
Lebanese Treasury Bills and other governmental bonds	18.0
Cash and Central banks	40.0
Banks & Financial Institutions	9.7
Bonds & Financial Instruments with fixed Income	4.5
Loans and Advances to Customers	24.7
Others	3.1

5.1 Investment Securities Portfolio

BLOM BANK's investment securities portfolio decreased by USD 1,354 million during 2016 and is predominantly made up of governmental debt securities (58% of total portfolio), Central Banks' securities (25% of total portfolio), corporate debt securities (15% of total portfolio), funds and equity instruments (2% of total portfolio).

Sovereign Exposure by Functional Currency

A currency analysis of the sovereign exposure (Government and Central Banks balances) reveals that 53.5% of total sovereign assets in year 2016 are denominated in the functional currencies of the countries that BLOM BANK Group is present in, and 46.5% of sovereign assets in year 2016 are denominated in foreign currencies.

The major functional currency remains the LBP that constitute 81.2% out of the functional currencies for year 2016, followed by 8.0% for EGP and 5.6% for CHF.

2016

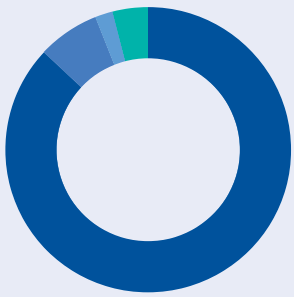
	%
Functional Currencies	53.5
Other Currencies	46.5

2015

	%
Functional Currencies	55.4
Other Currencies	44.6

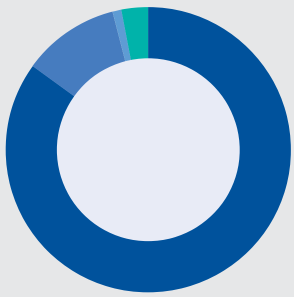
Sovereign Exposure by Issuing Country

2016



	%
Lebanon	88.7
MENA	7.5
Gulf	0.6
Europe	3.2

2015



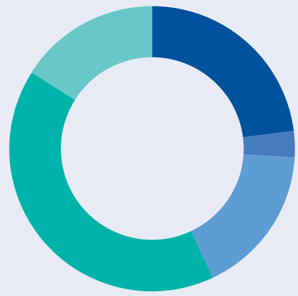
	%
Lebanon	84.5
MENA	12.2
Gulf	0.5
Europe	2.8

A concentration analysis of total sovereign exposure by issuing country reveals that 88.7% of the total sovereign assets at end of 2016 are concentrated in Lebanon followed by MENA at 7.5%, Europe at 3.2% and Gulf at 0.6%.

Corporate Securities Exposure by Issuing Country

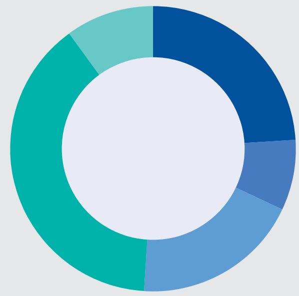
A concentration analysis of corporate securities by issuing country reveals that 40.6% of BLOM BANK's corporate securities are issued by European countries followed by Lebanon at 23.5%, Gulf countries at 16.5%, MENA countries at 2.9% and other countries at 16.5%.

2016



	%
Lebanon	23.5
MENA	2.9
Gulf	16.5
Europe	40.6
Other	16.5

2015



	%
Lebanon	24.5
MENA	8.2
Gulf	19.3
Europe	39.0
Other	9.0

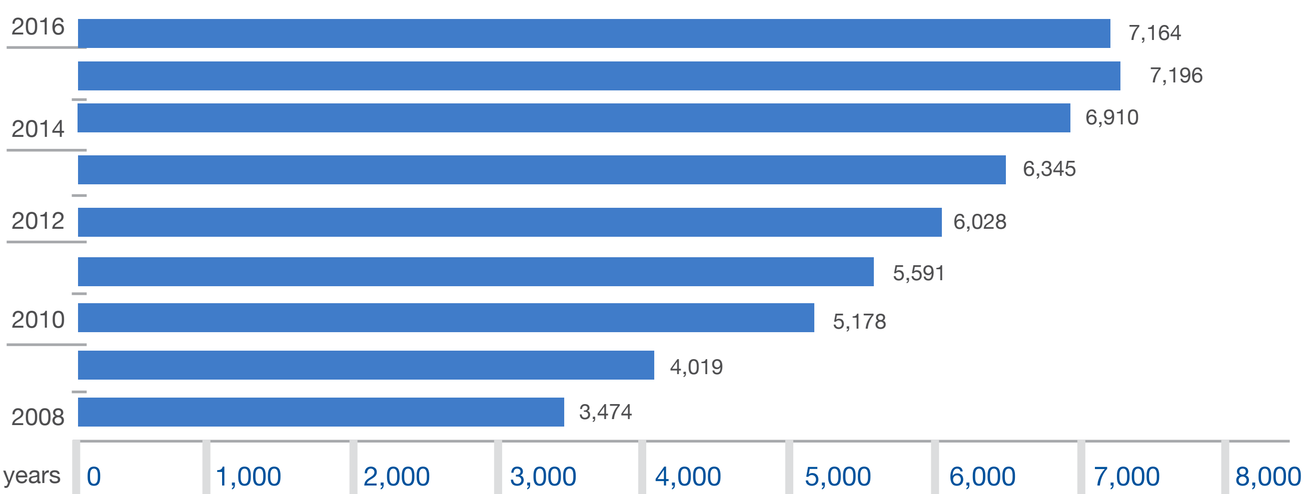
5.2 Loans and Advances to Customers

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 28.9% in 2016 compared to 28.7% in 2015.

Central Bank of Lebanon continued in 2016 to introduce stimulus packages which include incentives to support housing, renewable energy projects, innovative projects, SME's and other productive sectors of the economy. However, due to the sharp devaluation of the Egyptian Pound, the loans witnessed a drop of 0.4% reaching USD 7,164 million in 2016. In Egypt the loans and advances to customers fell by 34.8% converted to USD but jumped by 54.0% when stated in local currency.

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 11.00% in 2016.

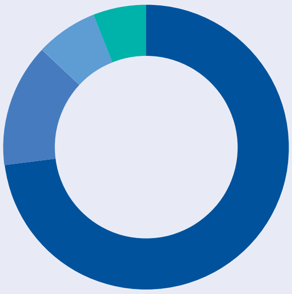
Evolution of Loans and Advances to Customers (in USD Million)



Loans to Customers by Region

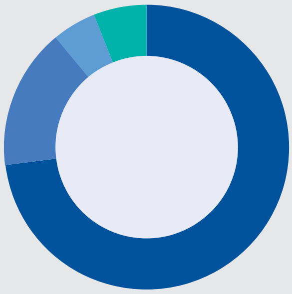
A concentration analysis of the loan portfolio by region reveals that Lebanon maintained the lead share with 73.7% at the end of 2016 (71.8% in 2015), while the remaining loan portfolio was spread among the group entities mainly in the MENA region which accounted for 13.8% at the end of 2016 down from 17.2% in 2015. Gulf region accounted for 6.3% (5.3% in 2015) and Europe held 6.2% of the loan portfolio.

2016



	%
Lebanon	73.7
MENA	13.8
Gulf	6.3
Europe	6.2

2015



	%
Lebanon	71.8
MENA	17.2
Gulf	5.3
Europe	5.7

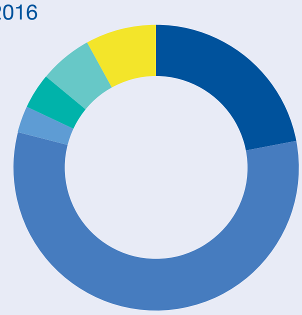
BLOM BANK's commercial loan portfolio accounted for 59.5% of the total loan portfolio at the end of 2016 (59.6% in 2015) broken down into 39.8% corporate loans and 19.7% SME loans. Retail loans comprised the remaining 40.5% of total loan portfolio at the end of 2016 (40.4% in 2015).

Loans to Customers by Type

	2016		2015	
USD Million	Balance	% from Total	Balance	% from Total
Corporate Loans	2,849	39.8%	2,883	40.1%
SME Loans	1,411	19.7%	1,409	19.5%
Retail Loans	2,904	40.5%	2,904	40.4%
Total Loans to Customers	**7,164**	**100.0%**	**7,196**	**100.0%**

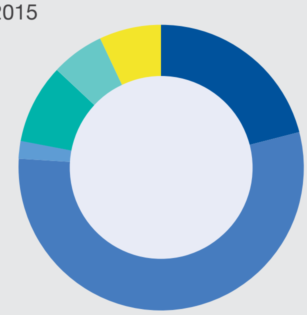
Loans to Customers by Currency

2016



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

2015



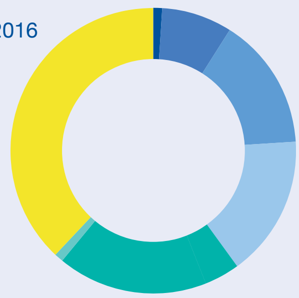
	%
LBP	20.9
USD	54.7
EURO	2.7
EGP	8.6
JOD	6.6
OTHER	6.5

Currency analysis of the loan portfolio at year end 2016 reveals that US Dollars is the dominant currency with 57.1% share of total loans followed by Lebanese Pound at 21.9%.

The remaining currencies, mainly Egyptian Pound and Jordanian Dinar, constitute 11.6% of total loan portfolio.

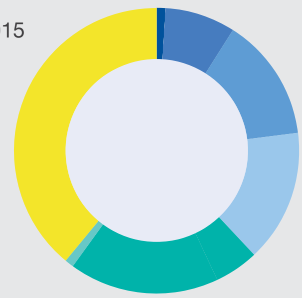
Gross Loans to Customers by Economic Sector

2016



	%
Agriculture and Forestry	0.6
Manufacturing	8.2
Trade	14.2
Services	14.9
Construction (Developers)	4.9
Construction (Project Financing)	17.7
Freelance Professions	0.2
Consumer Loans	39.3

2015



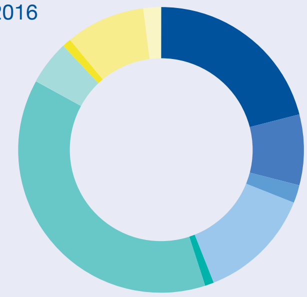
	%
Agriculture and Forestry	0.5
Manufacturing	8.4
Trade	14.0
Services	14.7
Construction (Developers)	5.2
Construction (Project Financing)	17.6
Freelance Professions	0.2
Consumer Loans	39.4

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

The highest economic sector share is for consumer activities (39.3%), followed by Construction (22.6%), Services 14.9%), Trade (14.2%), Manufacturing (8.2%) and Agriclulture (0.6%).

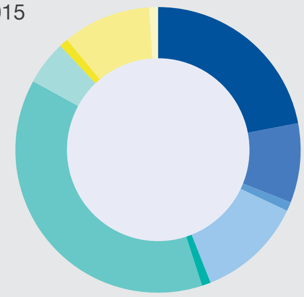
Gross Loans to Customers by Type of Collateral

2016



	%
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

2015



	%
Commercial Loans Secured by Mortgages	21.9
Advances Against Personal Guarantees	8.8
LC Financing	0.6
Advances Against Cash Collateral	13.7
Syndicated Loans	1.3
Retail Loans	39.4
Advances against securities	3.9
Advances against Bank Guarantees	0.4
Overdraft	9.8
Other	0.2

In the year 2016, secured loans accounted for 91.1% of the total loan portfolio, whereas overdraft loans accounted for the remaining 8.9% compared to 9.8% in 2015.

BLOM BANK's loan portfolio remains highly collateralized, where secured lending against mortgages and cash collateral represents 67% of total lending at the end of 2016. The analysis of the gross loan portfolio by type of collateral reveals that retail loans accounted for the largest share of the 2016 portfolio, recording for 39.3% in 2016, while noting that 88% of the retail loans are against mortgages. Advances against cash collateral comprised 14.7% in 2016 as compared to 13.7% in 2015.

Asset Quality by Region

USD Million	Lebanon	MENA	Gulf	Europe	Consolidated
	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	93.00%	79.15%	87.64%	79.03%	**89.94%**
Coverage Ratio by Monetary and Collective Provisions	115.00%	103.89%	55.24%	79.42%	**109.38%**
Coverage Ratio by Monetary Provisions and Real Guarantees	148.65%	118.01%	172.91%	91.32%	**140.10%**
	2015				
Monetary Provisions [(1)]	142	27	18	27	**214**
Collective Provisions	48	29	3	3	**83**
Gross NPL/Gross Loans	4.13%	2.67%	9.38%	8.27%	**4.40%**
Coverage Ratio by Monetary Provisions	64.39%	79.02%	46.52%	72.75%	**64.81%**
Coverage Ratio by Monetary and Collective Provisions	86.24%	162.00%	55.24%	80.15%	**89.98%**
Coverage Ratio by Monetary Provisions and Real Guarantees	124.56%	152.53%	180.84%	98.69%	**130.59%**

[(1)] including unrealized interest on doubtful loans

Gross non-performing loans to gross loans ratio for BLOM BANK Group for the year 2016 dropped to 4.19% as compared to 4.40% a year earlier. The coverage ratio of non-performing loans by monetary provisions (excluding collective provisions) reached 89.94% in 2016, however it recorded 140.10% when accounting for real guarantees.

6. Liquidity

Liquidity Ratios	2016	2015
Net Immediate Liquidity in Foreign Currency	60.8%	54.0%
Net Liquidity Ratio in LBP	105.3%	98.4%
Liquidity in Total Currency	74.4%	66.6%
Liquid Assets / Total Assets	62.5%	57.8%

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 2016, where overall liquidity recorded 62.5% compared to 57.8% in 2015.

As such, the Lebanese Pound liquidity ratio (including Lebanese governmental Treasury Bills) was 105.3% in 2016 as compared to 98.4% in 2015, reflecting high liquidity levels. Moreover, the immediate liquidity (cash & banks) in foreign currencies increased to 60.8% of foreign currency deposits in 2016, as compared to 54.0% in 2015.
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.

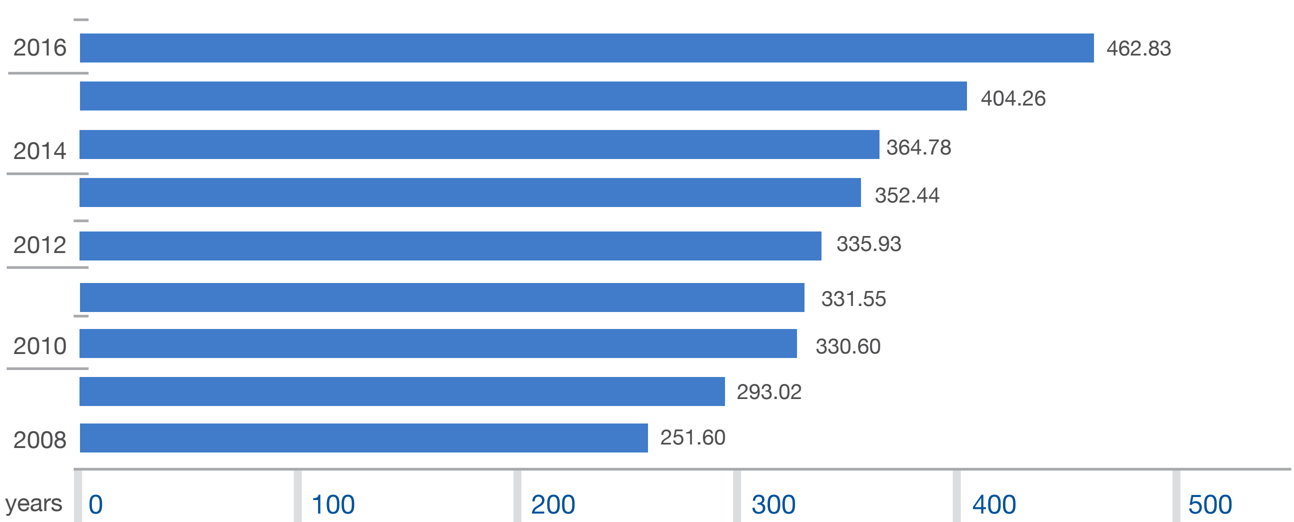
BLOM BANK was ranked first among Alpha Group in Net Primary Liquidity to Deposits ratio and Primary Liquidity to Assets ratio reaching 53.79% and 47.70% respectively. Placements with banks and financial institutions serve as the initial support of the Bank in terms of liquidity stress. Total placements with banks and financial institutions at year end 2016 amounted to USD 2.2 billion representing around 7.28% of total assets, more than 80% of placements with banks and financial institutions are placed in investment grade credit rating and above.

7. Performance

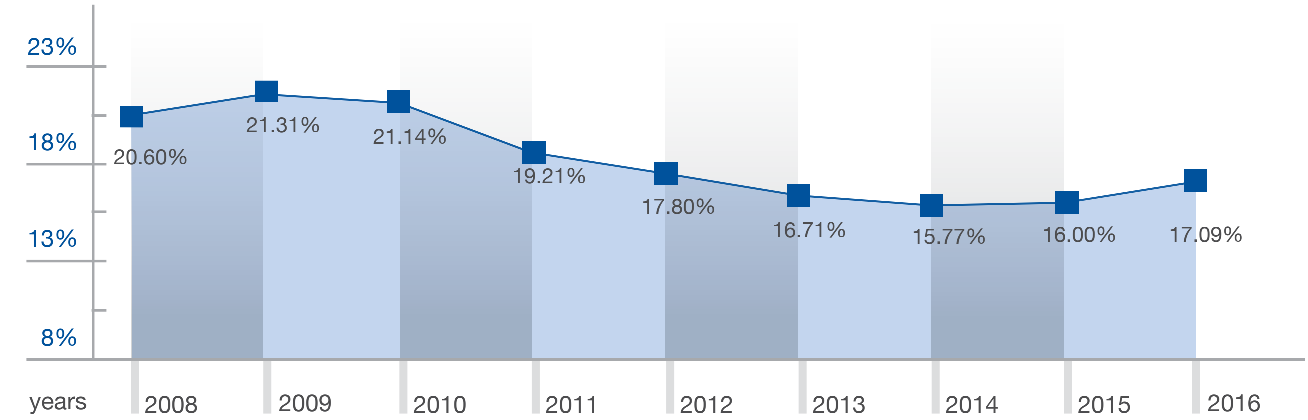
BLOM BANK preserved its position as one of the most profitable and the best performing bank in Lebanon for the year 2016 given its high quality core income, above average margins and high performance ratios. The Bank recorded net profit of USD 462.8 million, increasing by 14.5% compared to the year 2015 where net profits reached USD 404.3 million.BLOM BANK's Lebanese operations still constitute the lion's share with 77.9% 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 20.4% in the consolidated net profit of the Alpha Group (banks in Lebanon with deposits over USD 2 billion).

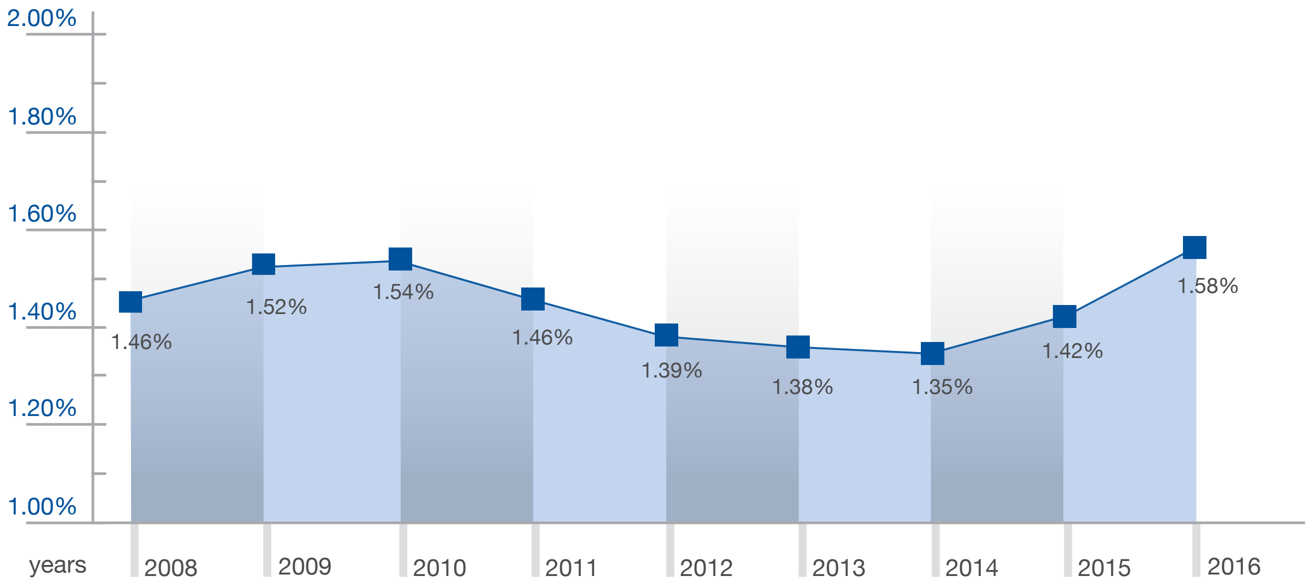
Evolution of Net Income (in USD Million)



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 sixth 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 17.09% in 2016 up from 16.00% a year earlier, and ROaA surged to 1.58% in 2016 compared to 1.42% in 2015.

Summary Income Statement

USD Million	2016	2015	Balance change	% Change
Net Interest Income	690.6	611.6	79.0	12.9%
Non-Interest Income	623.6	225.7	397.9	176.3%
Total Operating Income	**1,314.2**	**837.3**	**476.9**	**57.0%**
Net Credit Losses	**(105.2)**	**(16.8)**	**(88.4)**	526.2%
Credit Loss Expenses	(107.6)	(43.7)	(63.9)	146.2%
Provisions for Impairment Losses on other Financial Investments	(23.1)	0.0	(23.1)	-
Releases	25.5	26.9	(1.4)	-5.2%
Net Operating Income	**1,209.0**	**820.5**	**388.5**	**47.3%**
Operating Expenses	(363.9)	(328.2)	(35.7)	10.9%
Net Operating Profit	**845.1**	**492.3**	**352.8**	**71.7%**
Provisions for Risks and Charges	(173.0)	0.0	(173.0)	-
Foreign currency translation losses on deconsolidation of subsidiaries	(48.9)	0.0	(48.9)	-
Net Profit Before Taxes	**623.2**	**492.3**	**130.9**	**26.6%**
Income Tax Expense	(160.4)	(88.0)	(72.4)	82.3%
Net Profit	**462.8**	**404.3**	**58.50**	**14.5%**

7.1 Net Interest Income

Net interest income registered a 12.9% increase in 2016 to USD 690.6 million. The growth came as a result of a 9.2% increase in interest and similar income to USD 1,693.4 million in 2016, while interest and similar charges reached USD 1002.8 million for 2016 as compared to USD 938.9 million for 2015.

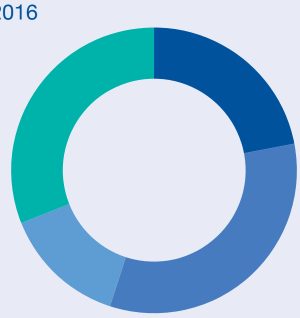
7.1.1 Interest and Similar Income

The 9.2% 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.
The breakdown of interest and similar Income reveals an increase in the share of deposits with banks to 32.2% in 2016 compared to 29.0% in 2015.

The portion generated from Lebanese TBs and other governmental bills has decreased to 22.4% in 2016 down from 25.4% in 2015. Interest Income from loans to customers has also witnessed a decrease to 31.4% in 2016 as compared to 32.6% in 2015.

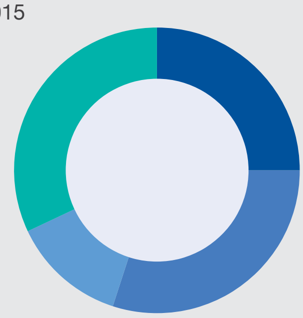
The contribution of bonds and other financial instruments with fixed income increased to 14.0% in 2016 as compared to 13.0% a year earlier.

2016



	%
Lebanese TB's and other Governmental Bills	22.4
Deposits & Similar Accounts with Banks and Financial Institutions	32.2
Bonds & Other Financial Instruments with Fixed Income	14.0
Loans and Advances to Customers (including related parties)	31.4

2015



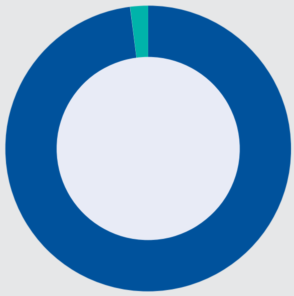
	%
Lebanese TB's and other Governmental Bills	25.5
Deposits & Similar Accounts with Banks and Financial Institutions	29.0
Bonds & Other Financial Instruments with Fixed Income	12.9
Loans and Advances to Customers (including related parties)	32.6

7.1.2 Interest and Similar Charges

2016

	%
Customers' Deposits (including related parties)	98.7
Deposits & similar Accounts from Banks and Financial Institutions	1.3

2015



	%
Customers' Deposits (including related parties)	98.7
Deposits & similar Accounts from Banks and Financial Institutions	1.3

Interest and similar charges increased by 6.8% to USD 1,002.8 million in 2016 as compared to USD 938.9 million in 2015.

7.1.3 Average Balance Sheet and Interest Rates

An analysis of average interest earning assets shows that governmental debt securities accounted for 18.8% of total average interest earning assets in 2016 decreasing from 21.3% in 2015.
The average deposits with banks increased to 39.5% in 2016 as compared to 37.9% in 2015.

The share of bonds and other financial instruments with fixed income accounted for 13.8% compared to 12.5% a year earlier and the average loans and advances contributed to 27.8% of total average interest earning asset in 2016.

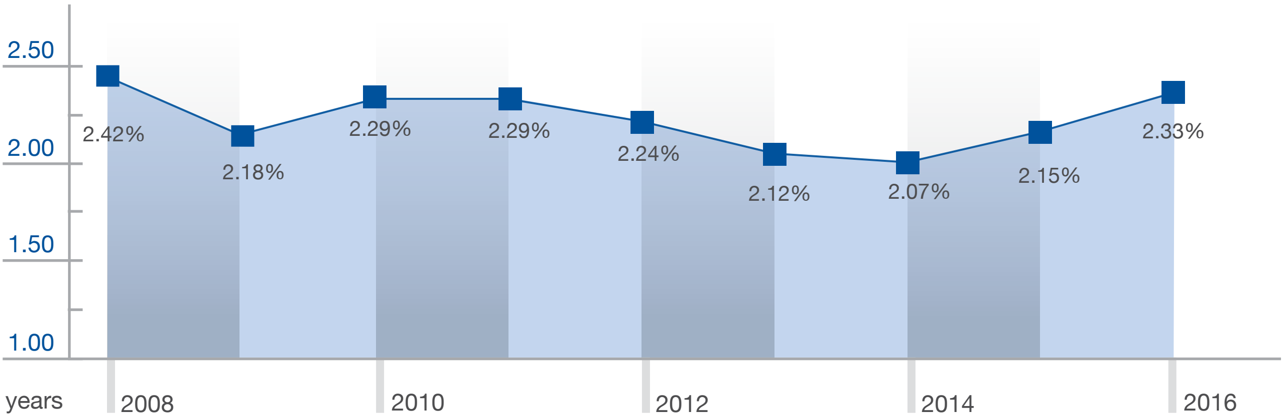
On the other hand, an analysis of average interest bearing liabilities reveals that average interest bearing liabilities went up by 2.8% to USD 25,135 million compared to USD 24,458 million a year earlier.

Deposits from customers including related parties accounted for the largest share of the average interest bearing liabilities, which stood at 98.1% in 2016 while deposits from banks and financial institutions represented the remaining 1.9%.

	2016			2015		
USD Million	Average Balance	Interest Earned - (Paid)	Average Rate	Average Balance	Interest Earned - (Paid)	Average Rate
Lebanese TB's and other governmental Bills	4,891	384.1	7.85%	5,305	401.9	7.58%
Deposits & Similar Accounts with Banks and Financial Institution	10,278	544.8	5.30%	9,445	449.0	4.75%
Bonds & other Financial Assets with Fixed Income	3,599	239.1	6.64%	3,123	204.5	6.55%
Loans and Advances to Customers	7,240	531.7	7.34%	7,066	505.0	7.15%
Total	**26,008**	**1,699.7***	**6.54%**	**24,939**	**1,559.7****	**6.26%**
Customers' Deposits	24,662	(989.8)	4.01%	24,045	(926.8)	3.85%
Deposits & similar accounts with Banks and Financial Institutions	473	(13.0)	2.75%	413	(12.2)	2.95%
Total	**25,135**	**(1002.8)**	**3.99%**	**24,458**	**(939.0)**	**3.84%**
Interest Spread			**2.55%**			**2.42%**
Net Interest Margin			**2.33%**			**2.15%**

** Including USD 6.4 million net interest income from financial assets and liabilities at FVTPL*
*** Including USD 9.9 million net interest income from financial assets and liabilities at FVTPL*

Net Interest Margin



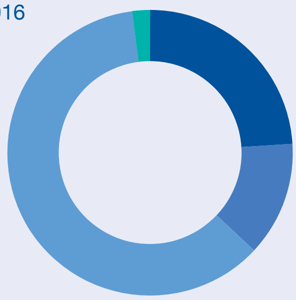
Net interest margin surged to 2.33% in 2016 up from 2.15% in year 2015. The main reason of this increase is the result of improving the overall interest spreads on earning assets that increased to 6.54% in year 2016 compared to 6.26% in 2015.

7.2 Non Interest Income

Non-interest income amounting to USD 623.6 million in 2016 comprised of USD 150.3 million commissions, USD 459.9 million trading income and a USD 13.4 million other operating income.

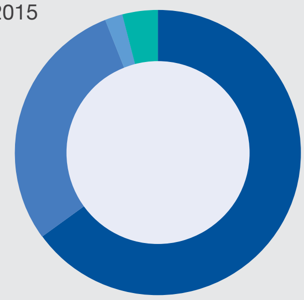
Constituents of Non-Interest Income

2016



	%
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

2015



	%
Net Commissions	65.1
Net Gain/(Loss) from Financial instruments at Fair Value through Profit or Loss	29.0
Net Gain/Loss from Financial Operations	2.3
Other Operating Income	3.6

Net commissions showed an increase of 2.3%, and a share of 24.1% of non-interest income. The remaining 75.9% of non-interest income in 2016 was mainly attributable to net gain/(loss) from financial instruments (73.8%)

7.3 Operating Expenses

Operating expenses reached USD 363.9 million in 2016, compared to USD 328.2 million in 2015.

Staff expenses (salaries and related charges) increased by 9.9% in 2016 to USD 207.0 million while other operating expenses increased by 14.8% to reach USD 130.5 million. Thus, staff expenses accounted for the largest share of operating expenses with 56.9% while other operating expenses share stood at 35.9%.

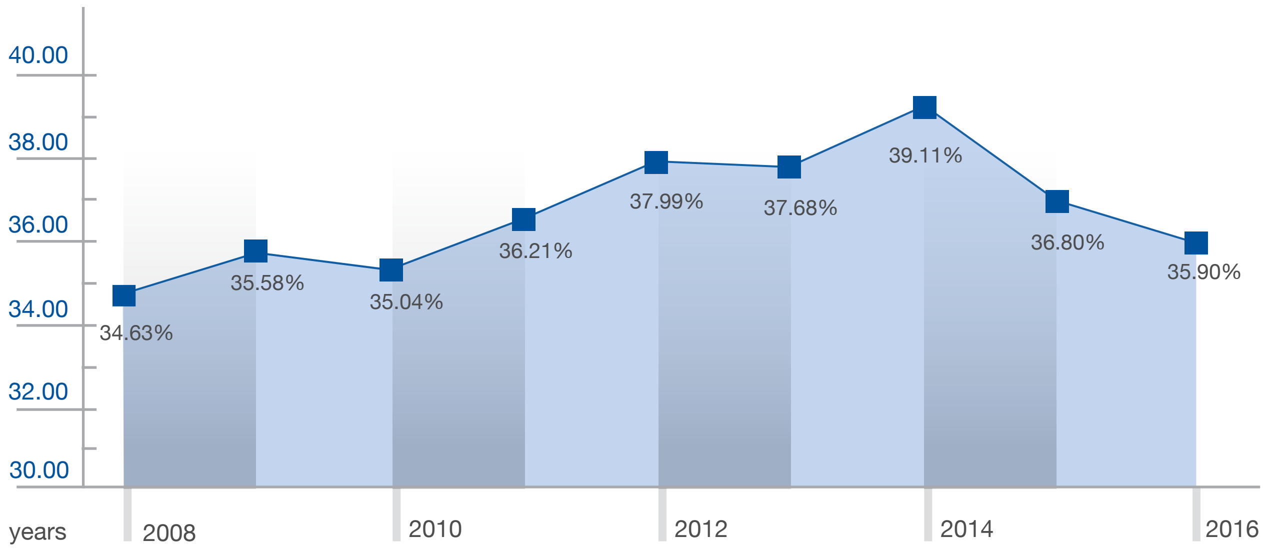
That said, BLOM BANK is still maintaining a relatively low cost-to-income ratio, reflecting the Bank's efficient cost-containment policy. The cost-to-income ratio decreased to 35.9 % in 2016 compared to 36.8% in 2015.

USD Million	2016	2015
Staff Expenses	207.0	188.3
Other operating expenses	130.5	113.7
Depreciation and Amortization	26.4	26.2
	363.9	**328.2**

	2016	2015
Number of Employees*	4,673	4,818
Staff Expenses per employee (USD)	44,297	39,073
Operating expenses per employee (USD)	27,926	23,605

** For more details refer to 13.1*

Cost to Income Ratio



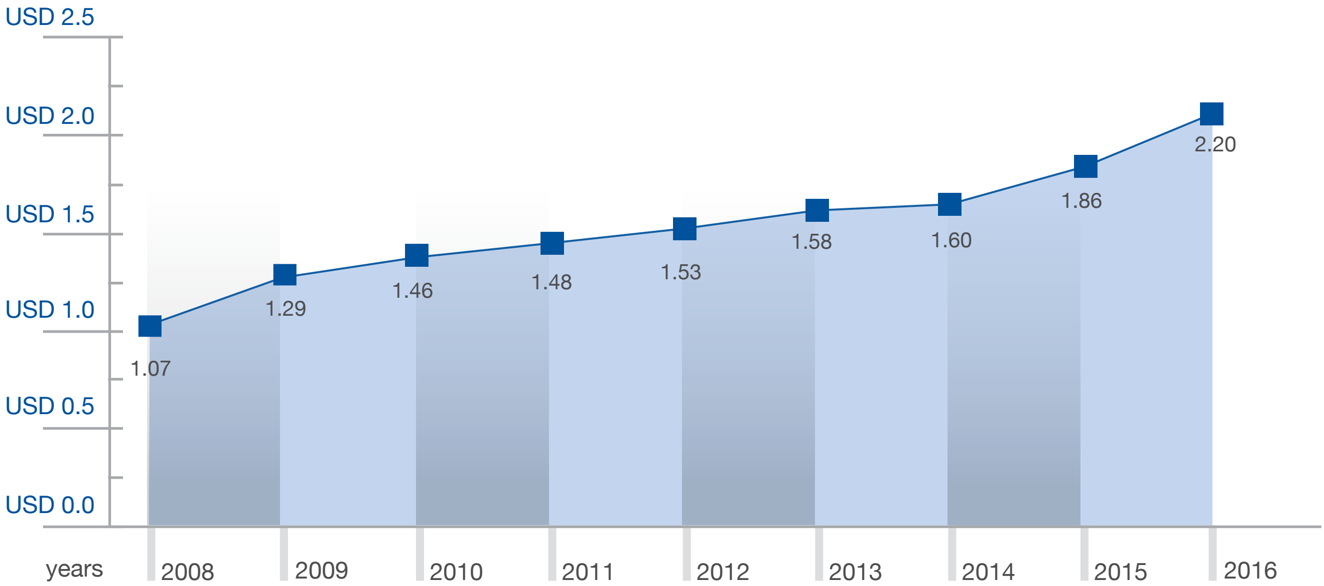

PERFORMANCE


Go beyond your limits.

8. Dividend Distribution and Preferred Shares Revenue

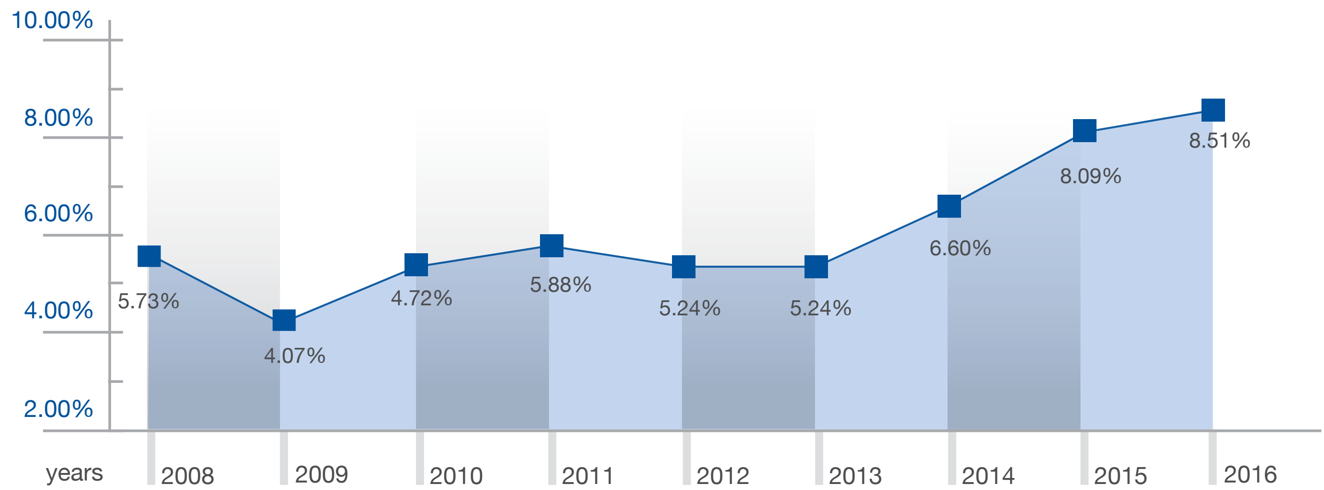
During BLOM BANK's Annual General Assembly, on April 7 2017, the distribution of dividends for the year 2016 was approved. Holders of preferred shares series 2011 received a USD 0.7 per share. As for holders of common stocks and Global Depositary Receipts (GDR), they received the equivalent of LL 1,500 per share. All distributed dividends were subject to a 5% tax.

Earnings per share



Earnings per share kept its steady increase with an additional USD 0.34 to reach its highest at USD 2.20 per share in 2016.

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 2016, dividend yield reached 8.51% in 2016, 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.

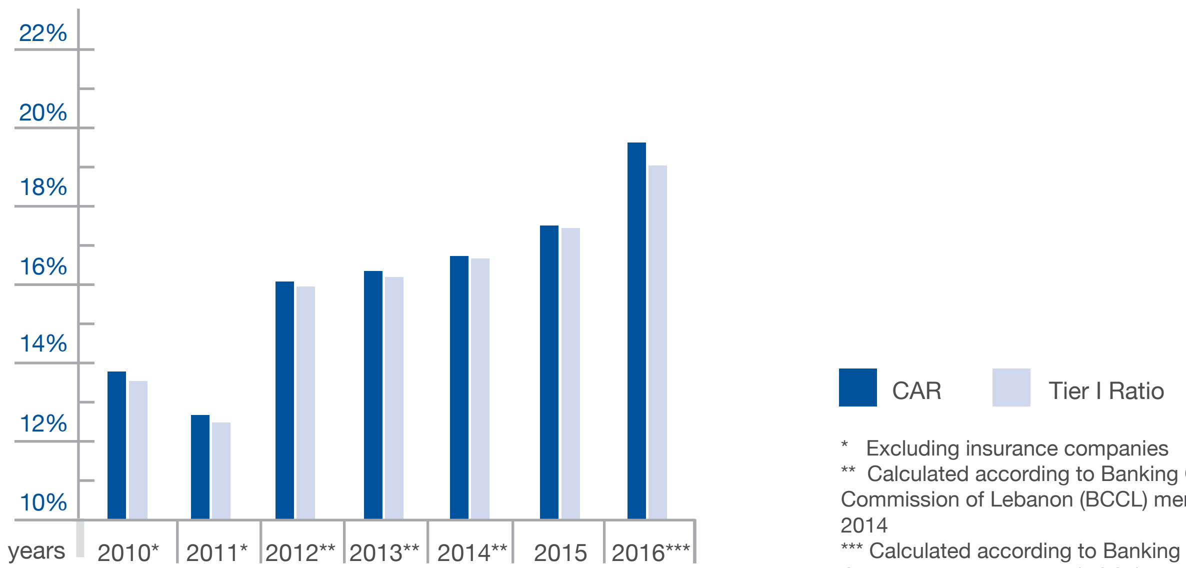
Furthermore, Group Risk Management has implemented a Risk Management Structure within the Group whereby the Bank's subsidiaries have their own Risk Managers that report to the Group Chief Risk Officer. Currently, there are eight country Risk Managers.

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 19.85% by the end of 2016 against 17.64% in 2015.

BLOM BANK Group (excl. Arope) Capital Adequacy Ratio/Tier I Ratio



* Excluding insurance companies
** Calculated according to Banking Control Commission of Lebanon (BCCL) memo April 2014
*** Calculated according to Banking Control Commission of Lebanon (BCCL) memo 3-2017

Lebanese banks are required to abide by the minimum set limits for the following three capital adequacy ratios by end of 2016:

Ratio	BLOM Ratio (as at end of 2016)	BCCL Minimum Limit (by end of 2016)	Basel III Minimum Limit (including capital conservation buffer of 2.5%) (by end of 2019)
Net Common Equity Tier 1 / Total Risk Weighted Assets	17.52%	8.5%	7%
Tier 1 / Total Risk Weighted Assets	18.97%	11%	8.5%
Total Capital Funds / Total Risk Weighted Assets	19.85%	14%	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.

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

BLOM Ratio	2016	2015	2014
Net Common Equity Tier 1 / Total Risk Weighted Assets	17.52%	16.07%	15.40%
Tier 1 / Total Risk Weighted Assets	18.97%	17.54%	16.93%
Total Capital Funds / Total Risk Weighted Assets	19.85%	17.64%	17.03%

As at end of December 2016, 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	17,658,520	84.68%
Market Risk	832,533	3.99%
Operational Risk	2,362,146	11.33%
Total	**20,853,199**	**100%**

BLOM BANK's capital funds at the end of December 2016 as per Basel III are broken down as follows:

LL Million	2016	2015
Common Equity Tier I Capital	3,727,815	3,630,883
Common Equity Tier I Capital Deductions	(75,286)	(271,242)
Net Common Equity Tier I Capital	3,652,529	3,359,641
Additional Tier I Capital	303,536	308,240
Tier I Capital	**3,956,065**	**3,667,881**
Tier II Capital	**182,578**	**21,094**
Total Capital Funds	**4,138,643**	**3,688,975**

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 29.95% of total Credit RWAs. The second highest Risk Weighted Assets is Corporate and SME representing 17.81% of total Credit RWAs while commercial real estate share is 9.33%.
The Bank holds government paper in its Lebanese, Egyptian and Jordanian operations. Government paper comprises 11.31% of total Credit RWAs knowing that government papers held in Egypt and Jordan are mainly in local currency.

Generation of Internal Ratings through Moody's Risk Analyst system for the Bank's Commercial, Corporate, SMEs, Project Finance, High Net Worth Individuals, Cash-Collateral and Kafalat loan portfolios continued enabling the Bank to internally rate all borrowers.
Moreover, during 2016, the Bank has implemented the Facility Risk Rating for its commercial loan portfolio, in all the subsidiaries enabling the generation of EL per facility.
Retail Application Scorecards for housing loans, car loans, personal loans and credit cards in Lebanon were updated and being implemented. Retail Behavioral scorecards are being developed.

The Bank loan portfolio is periodically monitored through statistical analysis and reports showing exposures versus limits as well as the portfolio 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 5.29% and Net NPL Ratio (including substandard Loans) of 1.44% as at end of year 2016. The total provisions for end of year 2016 is USD 355.61million, of which USD 216.01million are Specific Provisions and USD 61.27million is Collective Provisions.

In 2016, Egypt was supposed to constitute the Bank's largest market after Lebanon, however and due to the Egyptian Pound devaluation in November 2016, the loan portfolio dropped to 6.56% of total loans down from 10.00% at end of 2015. When combined with the deconsolidation of Syrian entities, the increase in credit RWAs was more subdued in 2016 than in previous years. These factors also impacted the total RWAs which slipped back 0.28% in 2016, given also the limited increase in RWAs in Lebanon. While BLOM BANK Egypt saw its share of total Group Loans fall, BLOM BANK France saw its shares reach 11.21% in 2016 compared to 9.68% in 2015.

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

LL Million	2016	2015	2014
Credit RWAs	17,658,520	17,629,012	17,292,857
Total RWAs	20,853,199	20,910,904	20,287,910
Percentage (%)	84.68%	84.31%	85.24%

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 risks 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 2016 are broken down as follows:

Market Risk Type LL Million	Risk Weighted Assets	Capital Requirements
Interest Rate Risk	166,793	13,343
Equity Risk	400,265	32,021
Foreign Exchange Risk	265,475	21,238
Total	**832,533**	**66,602**

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

LL Million	2016	2015	2014
Market RWAs	832,533	1,087,579	854,196
Total RWAs	20,853,199	20,910,904	20,287,910
Percentage (%)	3.99%	5.20%	4.21%

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 analytic 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. 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	2016	2015	2014
Operational RWAs	2,362,146	2,194,313	2,140,857
Total RWAs	20,853,199	20,910,904	20,287,910
Percentage (%)	11.33%	10.49%	10.55%

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 and 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 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 28.9% at end of December 2016 indicating a conservative liquid asset deployment strategy.
The two minimum standards for funding liquidity that were developed by the Basel Committee on Banking Supervision (BCBS), the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), are measured for the Bank's different entities. For Lebanon the Basel calculation of the LCR results in a particularly high level, exceeding by far the Basel minimum limit. An internal measure of the LCR is set and monitored regularly.
Liquidity stress tests are periodically conducted in order to assess to which level the set Liquidity Contingency Plan is capable of handling various liquidity crisis scenarios.

9.7 Interest Rate Risk in the Banking Book

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

The impact of a 2% sudden interest rate shock across all currencies for the group would result in a reduction of 30.08% of 2016 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 covers 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 59% to total required capital under the internal assessment methods adopted by the Bank for the year-end 2016.

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 2016 figures and expects a reinforcement of its current position.

This is justified by 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 September 2016. The Corporate Governance Code is published on the Bank's Website.

BLOM BANK continued in 2016 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 2015 Governance and integrity Ratings (GIR) on Online Transparency and Disclosure report published by Capital Concept's shareholders-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 a "B+" grade. BLOM Bank ranked better than its peers on its disclosure of Corporate Governance Code. The Bank falls within the "Very good" range according to the Shareholders-Rights' Grading System. A "B+" score means the Bank indicates strong performance demonstrating a high level of corporate governance attainment. Shareholders-Rights has rated all ten listed companies on the Beirut Stock Exchange according to international corporate governance standards, against current disclosure requirements by the local regulators and voluntary codes of ethics used in the Lebanese market. BLOM BANK has ranked first.

In December 2014, BLOM BANK joined the United Global Compact network and became a member of the Global Compact Network Lebanon. In September 2015, the Bank received a certificate for joining the United Nations Global Compact. The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labor, environment and anti-corruption. With over 8,000 corporate participants and 4,000 other stakeholders, it is the largest voluntary corporate responsibility initiative in the world. The Global Compact Network Lebanon has 37 participants and still growing. By joining the United Nations Global Compact, BLOM BANK committed to incorporate the ten principles in its daily operations and all its strategic decisions. The Bank also committed to report annually on its progress in this regard to its stakeholders through an annual Communication on Progress (COP).

In 2016, the Bank issued its second Communication on Progress and described the progress achieved based on its past commitments with respect to the ten UN Global Compact principles. The report will be completed with well-defined future goals and the various approaches and systems needed to attain them. The second Communication on Progress is published on the Bank's Website.

In order to deepen the Board members' understanding of sound governance's principles and create a heightened awareness of the governance responsibilities of the Board of Directors, some independent Directors attended in 2016 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,…Other executive and independent members will attend similar trainings in 2017.

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 (created by the Board of Directors in July 2016). The memberships of some Board Committees were amended in order to ensure the right participation of independent members in all Committees while respecting all restrictions on the Board Committees' Composition defined in the BDL circulars. 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. 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 periodically reviews 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, monitor the risk profile and oversee inherent risks, reviews the risk limits and reports and makes recommendations to the Board.

The Board Consulting Strategy and Corporate Governance Committee 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 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 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 regulation (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 BANK 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.

In addition, 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 forecast for 2017 to be spent on environmental, social, economic and governance driven initiatives.

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 June 2016, 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 and Effectiveness, Relationship with Management, Board of Directors' Functions, Succession Planning and Training. 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, 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.

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 Bank's Board of Directors as well as ensuring the proper implementation of the Code at all levels and the compliance of the Bank with its Code. The Corporate Secretary is also responsible to perform several others tasks stated in the Corporate Secretary Charter and the Corporate Governance Code. The Corporate Secretary acts as the Secretary of the Board of Directors and as Secretary for the Board Consulting Strategy and Corporate Governance Committee as well as for the Board Nomination and Remuneration Committee.

The Remuneration policy covers all categories of remunerations and their granting conditions in order to contribute to the enhancement of the Bank's general long-term performance from both a financial and non-financial standpoint and to achieve the purpose for which those remunerations were granted.
The remunerations of all Bank employees can comprise fixed and variable components (cash revenues and other non-monetary incentives). These components are determined based on the different business specifications of the Bank and its scope of work as well as the nature of work of the employees, their levels and their responsibilities. The overall granted remunerations should not affect the financial position of the Bank, its interests, its current or future capacities (in the medium and long terms), its liquidity, its reputation as well as its capital adequacy.

The remuneration 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.

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.

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. The Code of Conduct is available on the Bank's Website. 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 shall perform 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.

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.

Real Estate Services

Our Real Estate team has 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.

11.2 Commercial and Corporate Banking

BLOM BANK maintained its expansion policy in 2016 by opening two new branches in Lebanon, while maintaining high efficiency in the several divisions of the bank and securing a high level of supervision and control. Despite the conservative approach towards extending credit to the real estate and related sectors, the Bank's portfolio continued its stable growth at both the corporate and the SME level, benefiting from 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, a high level of financing was contributed to environmental-friendly and energy-related operations as well as to supporting start-up businesses at favorable terms, thus adding towards the Bank's contribution in corporate social responsibility.

Arab Trade Finance Program (ATFP)

2016 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 almost fully utilized and was extended 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 expanded the banking relationship with existing corporate clients and targeted new corporate clients with sophisticated financing tools mainly in the fields of manufacturing, trade, project financing, while focusing less on and Real Estate Development projects in Lebanon and abroad.

Islamic Financing

BLOM BANK maintained its expansion policy in Islamic banking market in Lebanon through its 3 branches by offering preferential Islamic products and services compliant with Islamic Shariaa.

Overseas Financing

During 2016 BLOM BANK maintained its presence in the overseas market despite the challenging conditions prevailing in the MENA region, whilst preserving its effective control and caution in all markets. Moreover, banking activities in Egypt regained ground and as a result contributed remarkably to the Banks' credit portfolio benefitting from the political stability in the country.
In conclusion, BLOM Group succeeded to enhance its local and worldwide operations even with the increasing level of uncertainties, due to its sound lending and control policies, while contributing fundamentally to the development of the Lebanese and Arab Economies.

11.3 Retail Banking

11.3.1 Products and services

In 2016, BLOM BANK launched a new program dedicated for the youth, enhanced its mobile banking application eBLOM by introducing new features to it, launched a new and innovative feature to its BLOM Golden Points loyalty program, and maintained a strong relationship with its existing and new partners.

Payment Cards

BLOM BANK offers a wide range of payment cards that target different customers, provide different methods of payments and meet different purposes. These cards vary in type and in currency. The segmentation of cards takes into consideration the various types of customers and their card needs; debit, charge, credit and prepaid. As such, BLOM cards range from **Electronic, Classic, Gold, Titanium, Platinum, Signature, Infinite, and Corporate (Business Platinum, Platinum Corporate, and Classic Corporate cards).**
In addition to issuing cards from Visa and MasterCard, in 2016, BLOM BANK has joined forces with American Express Middle East to expand the range of premium payment solutions available in Lebanon and to grow the American Express merchant network. The new partnership has enabled BLOM BANK customers to apply for **The American Express® Gold Card and The Platinum Card®, and the exclusive American Express Centurion Card®** will be available by invitation only. These cards offer a wide range of premium benefits, such as regional and global airport lounge access, enrollment into the award-winning Membership Rewards® program, comprehensive travel insurances, and access to thousands of local, regional and global offers.

In line with its continuous efforts to keep up with the advanced technology in the electronic payments industry and thrive to provide its clients with the best and most secure payment solutions, BLOM BANK implemented the Visa PayWave feature on the BLOM Visa Classic debit and credit cards, whereby all the new 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 the fourth quarter 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 has extended the online acceptance of its cards' to include the electron cards. To guarantee maximum safety and empower users to control their cards' internet limits, the cardholders have the ability to manage these limits easily through eBLOM.

In addition to the above innovations launched in 2016, BLOM BANK takes pride in the **BLOM MasterCard Giving cards**, launched in 2010, one of Lebanon's most innovative affinity cards, a first of its kind program in the world. In collaboration with the Lebanese Mine Action Center, a unit in the Lebanese Army, the BLOM Giving cards assists in the removal of mines and cluster bombs from the Lebanese territories. The program offers a Gold MasterCard or a Titanium MasterCard card, which combine the benefits of a credit card, with the ability to donate to the LMAC, which is in charge of demining the Lebanese territory, 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, 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 dual currencies (USD and LL).

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

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.

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 (part of VISA).

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 clients can now check the exclusive Visa offers and discounts that they can benefit from when using their BLOM Visa and at selected merchants. All offers are available on www.blomgoldenpoints.com.

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. The available loans are: student loans in cooperation with the American University of Beirut and other institutions; consumer loans in association with a number of leading retailers in Lebanon; solar loans in association with numerous local companies that offer solar system installations.
Clients can also apply for a personal loan with Kardi, a car loan with Sayarati, or a housing loan with Darati.

Moreover, BLOM BANK has proudly won the Banker Middle East Industry Awards 2016 for the Best Car Loan and Best Personal Loan.

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 grants individuals, financial institutions or companies that operate in Lebanon to finance the launching of a new project or the expansion of an existing one.

Business Loan

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

KAFALAT

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

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 with 9 times worth their salary, personal loans and much 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 289,000 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 5,140 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

The challenging economic and regulatory conditions governing the activities of the Islamic banks in Lebanon continued to prevail during the year 2016.
Islamic banks are still facing the same regulatory obstacles, and continued to be excluded from participating in the soft and subsidized financing schemes supported by the Central Bank of Lebanon to target certain segments of the economy, thus hindering their ability to offer similar sharia compliant products.

The year 2016 has witnessed an increase in the rates offered by conventional banks on USD deposits as a result of the financial engineering scheme introduced by the Central Bank late last year. This has led to a flight of deposits from Islamic banks to conventional banks, hence reducing further the Islamic banks' share from the market.
Despite that, BLOM Development Bank (BDB) continued to make inroads towards making sharia compliant products more visible, and was able during the year to achieve a growth in its total assets of 4.66%, and a growth in its clients' deposit of 4.17%, as well as maintaining its profitability level along with adequate capital adequacy ratio in line with the regulatory requirements.

11.5 Insurance Products and Services

Established in 1974, AROPE Insurance is today one of the major players in Lebanon's insurance industry. 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 reinsurance company, 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, and include:

Life and Personal Accident Insurance
Healthcare Insurance
Motor Insurance
Marine Insurance
Property Insurance
Liabilities Insurance
Takaful Window (offered in Lebanon only)
Micro-Insurance

In terms of consolidated results for 2016, AROPE Insurance scored USD 117.2 million of Gross Premiums with a Net Profit after Tax of USD 20.2 million, and USD 120.5 million of Shareholders' Equity.

In 2016, AROPE Insurance won the "Innovation of the Year 2016" Award at the Middle East Insurance Industry Awards held in Dubai, thanks to its Life Micro-Insurance Plan "Allo...Hayete" and other successful innovations such as: AROPE VISA Signature Credit Card and AROPE Mobile Application.
Moreover, AROPE Insurance was shortlisted for two other regional awards in 2016 "Best Insurer" and "Most Innovative Insurer" for the MENA Region, organized by MENA Insurance Review Awards 2016.

11.6 Asset Management Services

BLOM BANK's presence in the Asset Management industry dates back to 2008. The Bank's objective through BLOM Asset Management Company is to be a Regional Asset Manager catering for 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. The BLOM Asset Management Company administers and manages several bond and equity funds in Lebanon/Cairo/ Saudi Arabia, some of which were recipients of several awards granted by prominent agencies.

12. Information Systems and Technology

Powerful forces such as changing customer expectations, regulatory requirements, demographics and economics are reshaping the banking industry. Also, technology continues to heavily influence the banking industry with trends such as social networking, mobile and cloud computing and the Internet of Things which can be perceived, on one hand, as disruptions and, on the other hand, as opportunities for banks nowadays.
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 provide the Bank's clients with a portfolio of products and services built around the "Easy Technology" slogan. This position is at the very core of our commitment to provide our clients with rich digital experiences, built around the omnichannel banking trend, thus providing innovative products and services offerings.

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.

At BLOM BANK, we pride ourselves on delivering the best and most comprehensive and integrated digital experience to our customers and we will continue to build on top of our current achievements in order to further enhance our competitiveness and our innovative edge among Lebanese and regional banks. Hence, and in order to advance the expansion of our market share in Lebanon and the EMEA (Europe, Middle East and Africa) region, our strategy is to embrace the digital banking trend without compromising on data availability or efficiency, and to provide innovative products and services to customers by staying at the forefront of technology.

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 a cost- to-income ratio (CI ratio) among the lowest when compared to peer players in the banking and financial services industry. Hence, the IT investments that we make are usually well balanced despite the fact that in the banking industry, in general, the banks' IT costs are about twice the average across all other industries, and that the IT spending as a percent of total costs is also the highest in the banking sector when compared to other fields.

Embrace the Omnichannel Banking Trend

The current Internet of Things revolution, with its proliferation of connected devices, is opening up new context information and new channels for banks that are now operating in a challenging world of rapid technological change, technology-savvy customers, and increasing expectations.

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 so as to allow simultaneous access to all channels immediately and in real time.

To achieve this goal and to progressively evolve towards an omnichannel banking experience, BLOM BANK has invested in a Core Banking Application that is built around an enterprise service bus (ESB) which centralizes customer data and interactions thus driving efficiency, productivity and speed to market. Moreover, middleware systems facilitate consistent cross-channel messaging and functionality through a Service Oriented Architecture (SOA) which enables us to use the same services across

all channels thus optimizing costs. Our middleware system is enabling us to achieve a more streamlined integration across systems and with business partners, in addition to seamless interactions across channels including the traditional and digital channels.
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 2016" from Global Finance and the "Best Bank in Lebanon in 2016" from Euromoney and the Banker Middle East.

Finally, and as part of our omnichannel support strategy, we have been improving our portable customer/prospect engagement touchpoint which has enabled us to expand the reach of our loan origination workflow systems along with other business processes outside the physical premises of our traditional branches.

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. At BLOM BANK, we believe that nurturing innovation starts by challenging the status-quo, and by daring a radical shift from the "business as usual" paradigm, supported by a long-term vision and coupled with audacious yet measurable interim goals.

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:

- The "Video Chat" service via the eBLOM Mobile Banking App which enables our eBLOM Mobile Banking App customers to communicate in real-time with our call center agents by providing bi-directional video, audio and chat sessions between customers and the Bank's agents thus providing a robust interactive collaboration experience.
- The "Loyalty Points Online Redemption" via the eBLOM Mobile Banking App feature aimed at facilitating the redemption of loyalty points by our customers via the eBLOM Mobile Banking App and to expand our rewards catalogue to any e-commerce transaction conducted online.
- The "Mobile Payments" service via the eBLOM Mobile App allowing customers to settle bills and make university and school tuition payments.

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.
Moreover, we shall keep on watching the market and technology dynamics in relation to new entrants in the area of mobile payments such as Apple Pay, Google/Android/Samsung Pay and others in order to position BLOM BANK within the newest mobile payment trends. Finally, we will continue to enter into strategic partnerships with software vendors in order to adopt innovative solutions such as cloud-based human capital management solutions.

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.

Moreover, the high degree of modularity and componentization of our information systems infrastructure will continue to allow us to quickly introduce new and/or innovative products to our customers across multiple channels, thus competing in today's whirling digital era without compromising on service quality or limiting our agility as an organization.

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 challenges which are introduced at an unprecedented pace.

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 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 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. This fraud monitoring system is capable of discovering fraud patterns based on the analysis of "big data" related to cards' transactions and to Internet fraud and of sending real-time alerts to the Bank's call center agents, thus enabling immediate action and insight as well as reporting and tracking should a fraud pattern be detected.

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 2016, 81.46% of employees held a university degree, professional certification, or higher education degree. Also, the average age of employees remains relatively stable at 34.69 years old which is quite young for our industry.

Distribution of BLOM BANK employees across BLOM BANK Group as at end of December 2016

		Banks and Financial Subsidiaries				Insurance Subsidiaries		Grand Total
		Lebanon	MENA	Gulf	Europe	Lebanon	MENA	
Gender	Male	1,269	1,098	92	87	93	173	2,812
	Female	1,117	365	63	82	157	77	1,861
Age	< 25	389	218	19	3	33	37	699
	26-35	1,186	671	62	35	114	156	2,224
	36-45	350	377	39	46	60	45	917
	46-55	266	145	20	52	25	10	518
	56-64	195	52	15	33	18	2	315
	Average Age	**35.09**	**32.89**	**39.19**	**46.88**	**36.00**	**36.25**	**34.69**
Level of Education	Graduate Degrees	667	45	35	36	38	-	821
	Professional Certificates	27	10	2	1	-	-	40
	Bachelor Degrees	1,239	1,225	73	80	130	199	2,946
	Technical Certificates	52	89	10	30	32	48	261
	Others	401	94	35	22	50	3	605
Functions	Managers and Deputies	261	236	35	42	27	16	617
	Assistants & Supervisors	265	244	14	25	40	27	615
	Employees	1,860	983	106	102	183	207	3,441
Total number of employees		**2,386**	**1,463**	**155**	**169**	**250**	**250**	**4,673**
Number of Branches		**79**	**53**	**7**	**7**	**9**	**64**	**219**
Training Hours		**66,637**	**37,907**	**1,205**	**1,628**	**3,554**	**12,448**	**123,379**
Number of hired employees		**270**	**199**	**26**	**9**	**37**	**115**	**656**
Number of departed employees		**152**	**124**	**19**	**12**	**19**	**67**	**393**

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 2016, the various units of BLOM BANK Group recruited a total of 656 employees to support the expansion of the Bank across the region, to upkeep its increasing business needs, and to replace departing and retiring employees. The majority of the new recruits were in the MENA region (47.87%), immediately followed by Lebanon (46.80%), the Gulf region (3.96%), and Europe (1.37%).

New recruits and turnover rates of BLOM BANK Group units operating in various geographic regions in year 2016

	New Recruits				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	270	199	26	9	**504**
Insurance Subsidiaries	37	115	-	-	**152**
Total	**307**	**314**	**26**	**9**	**656**

	Turnover Rate				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	6.56	7.73	12.42	7.02	**7.23**
Insurance Subsidiaries	7.88	25.92	-	-	**17.22**
Total	**6.68**	**10.26**	**12.42**	**7.02**	**8.28**

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 123,379 training hours in 2016, amounting to an average of 26.40 training hours per employee.

	Training Hours				Total
	Lebanon	MENA	Gulf	Europe	
Banks and Financial Subsidiaries	66,637	37,907	1,205	1,628	**107,377**
Insurance Subsidiaries	3,554	12,448	-	-	**16,002**
Total	**70,191**	**50,355**	**1,205**	**1,628**	**123,379**

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 2016, BLOM BANK Group's operational efficiency remained at a high level. Net profit per branch and average asset per branch improved by 35.4% and 20.0% respectively, as a result of both higher net profit and assets and lower number of branches/ insurance point of sales that decreased by 15.4% due to the deconsolidation of the Bank's syrian entities.

BLOM BANK Group's Operational Efficiency Indicators

	2016	2015
Number of Branches	219	259
Average Assets per Branch (USD)	134,785,658	112,351,939
Net Profit per Branch (USD)	2,113,381	1,560,853

IMPROVEMENT

Keep up with new and better technologies.

Consolidated Financial Statements
31 December 2016

BLOM BANK S.A.L. CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Ernst & Young p.c.c.
Commerce & Finance Building
1st Floor, Kantari, Beirut
P.O. Box: 11-1639, Riad el Solh
Beirut - 1107 2090, Lebanon

Tel: +961 1 760 800
Fax: +961 1 760 822/3
beirut@lb.ey.com
ey.com/mena
C.R. 61

BDO
SEMAAN, GHOLAM & CO.

BDO, Semaan, Gholam & Co.
Gholam Building - Sioufi Street
Beirut
P.O.Box: 11-0558, Riad el Solh
Beirut - 1107 2050, Lebanon

Tel: (01) 323676
Fax: (01) 204142
siman@inco.com.lb
C.R. 570

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 2016, 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 paragraph below, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016 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. The Group recognized this amount under "Deferred Revenues" within "Provisions for Risks and Charges" in compliance with Central Bank of Lebanon's Intermediate Circular number 446 dated 30 December 2016. Furthermore, as disclosed in note 38 to the consolidated financial statements, the Group recorded excess provisions amounting to LL 260,797 million 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 International Financial Reporting Standards. Had the Group properly accounted for these transactions, events and conditions, in accordance with International Financial Reporting Standards, the effects on the consolidated financial statements would have been as follows:

- Net income for the year ended 31 December 2016 would have increased by LL 426,897 million through:
  - an increase in "Gain from sale of financial assets at amortized cost" by LL 195,412 million;
  - a decrease in "Provisions for Risks and Charges" by LL 260,797 million; and
  - an increase in tax expenses by LL 29,312 million;
- Total liabilities as at 31 December 2016 would have decreased, through a decrease in "Provisions for Risks and Charges" by LL 426,897 million;
- Equity as at 31 December 2016 would have increased, through an increase in net income 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 Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Lebanon, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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 2016. In addition to the matter described in the *"Basis for Qualified Opinion"* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment of Loans and Advances

Due to the inherently judgemental 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.

The risks outlined above 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 simple model, which are based on a percentage of 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.

OTHER INFORMATION INCLUDED IN THE GROUP'S 2016 ANNUAL REPORT

Other information consists of the information included in the Group's 2016 Annual Report other than the consolidated financial statements and our auditors' report thereon. Management is responsible for the other information. The Group's 2016 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and we will exercise professional judgement to determine whether we need to take appropriate action to seek to have the uncorrected misstatement appropriately brought to the attention of users for whom the auditors' report is prepared.
As described in the *"Basis for Qualified Opinion"* section above, the Group did not recognize certain gains and recorded excess provisions for risks and charges in the consolidated income statement. When we read the Annual Report, we will consider whether the other information included in the Annual Report is also materially misstated for these matters. If we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee and we will exercise professional judgement to determine whether we need to take appropriate action to seek to have the uncorrected misstatement appropriately brought to the attention of users for whom the auditors' report is prepared.

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 Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

We communicate with the Audit Committee 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 Audit Committee 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 Audit Committee, 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 Nazih Borghol for Ernst & Young and Nicolas Barakat for BDO, Semaan, Gholam & Co.

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BDO, Semaan, Gholam & Co.

23 March 2017
Beirut, Lebanon

Consolidated Income Statement
For the year ended 31 December 2016

LL Million	Notes	2016	2015
Interest and similar income	7	2,552,773	2,337,339
Interest and similar expense	8	(1,511,752)	(1,415,448)
Net interest income		**1,041,021**	**921,891**
Fee and commission income		281,363	271,123
Fee and commission expense		(54,802)	(49,585)
Net fee and commission income	9	**226,561**	**221,538**
Net gain from financial instruments at fair value through profit or loss	10	117,289	98,839
Net gain from sale of financial assets at amortized cost	11	575,558	6,564
Revenue from financial assets at fair value through other comprehensive income	28	435	1,192
Other operating income	12	21,402	11,997
Total operating income		**1,982,266**	**1,262,021**
Net credit losses	13	(123,775)	(25,330)
Impairment losses on financial investments	14	(34,749)	-
Net operating income		**1,823,742**	**1,236,691**
Personnel expenses	15	(312,046)	(283,791)
Other operating expenses	16	(177,307)	(171,449)
Depreciation of property and equipment	29	(35,762)	(36,004)
Amortization of intangible assets	30	(4,052)	(3,504)
Impairment of goodwill	33	(19,415)	-
Total operating expenses		**(548,582)**	**(494,748)**
Operating profit		**1,275,160**	**741,943**
Provision for risks and charges	17	(260,797)	-
Foreign currency translation losses on deconsolidation of subsidiaries	18	(73,728)	-
Net (loss) gain on disposal of fixed assets		(1,187)	134
Profit before tax		**939,448**	**742,077**
Income tax expense	19	(241,731)	(132,654)
Profit for the year		**697,717**	**609,423**
Attributable to:			
Equity holders of the parent		**676,443**	**583,102**
Non-controlling interests		**21,274**	**26,321**
		697,717	**609,423**
Basic/diluted earnings per share attributable to equity holders of the parent for the year	20	LL **3,321**	LL **2,797**

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

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2016

LL Million	2016	2015
Profit for the year	**697,717**	**609,423**
Other comprehensive loss to be reclassified to consolidated income statement in subsequent periods:		
Exchange differences on translation of foreign operations	(326,671)	(70,963)
Other comprehensive (loss) gain not to be reclassified to consolidated income statement in subsequent periods:		
Net unrealized gain (loss) from financial assets at fair value through other comprehensive income	237	(165)
Other comprehensive loss for the year	**(326,434)**	**(71,128)**
Total comprehensive income for the year	**371,283**	**538,295**
Attributable to:		
Equity holders of the parent	**365,819**	**530,656**
Non-controlling interests	**5,464**	**7,639**
	371,283	**538,295**

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

Consolidated Statement of Financial Position
At 31 December 2016

LL Million	Notes	2016	2015
Assets			
Cash and balances with central banks	21	17,991,169	14,296,448
Due from banks and financial institutions	22	3,180,661	4,213,528
Loans to banks and financial institutions	23	60,553	63,376
Derivative financial instruments	24	53,180	40,719
Financial assets at fair value through profit or loss	25	386,659	595,269
Net loans and advances to customers at amortized cost	26	10,708,390	10,815,706
Net loans and advances to related parties at amortized cost	48	91,557	32,216
Debtors by acceptances		113,492	88,854
Financial assets at amortized cost	27	10,994,933	12,826,379
Financial assets at fair value through other comprehensive income	28	3,815	6,229
Property and equipment	29	703,440	644,114
Intangible assets	30	2,482	5,190
Assets obtained in settlement of debt	31	49,756	38,038
Other assets	32	156,437	153,029
Goodwill	33	1,950	47,876
Total assets		**44,498,474**	**43,866,971**
Liabilities and equity			
Liabilities			
Due to central banks	34	519,021	459,642
Repurchase agreements	34	2,930	626
Due to banks and financial institutions	35	590,808	486,693
Derivative financial instruments	24	33,536	40,804
Customers' deposits at amortized cost	36	37,139,827	37,623,777
Deposits from related parties at amortized cost	48	262,490	200,605
Engagements by acceptances		113,492	88,854
Other liabilities	37	822,088	698,815
Provisions for risks and charges	38	593,652	164,350
Total liabilities		**40,077,844**	**39,764,166**
Equity			
Share capital - common shares	39	258,000	258,000
Share capital - preferred shares	39	24,000	24,000
Share premium on common shares	39	374,059	374,059
Share premium on preferred shares	39	277,500	277,500
Non distributable reserves	40	1,192,652	1,062,335
Distributable reserves	41	559,860	514,515
Treasury shares	42	(16,941)	(180,708)
Retained earnings	43	1,413,258	1,259,719
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	550	333
Foreign currency translation reserve		(426,713)	(190,841)
Profit for the year		676,443	583,102
Equity attributable to equity holders of parent		**4,347,395**	**3,996,741**
Non-controlling interests		73,235	106,064
Total equity		**4,420,630**	**4,102,805**
Total liabilities and equity		**44,498,474**	**43,866,971**

The consolidated financial statements were authorized for issue in accordance with a resolution of the board of directors on 23 March 2017 by Mr Saad Azhari, Chairman and General Manager, Mr Habib Rahal, General Manager, and Mr Talal Baba, Chief Financial Officer.

Saad Azhari
Chairman and General Manager

Habib Rahal
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 2016

LL Million	Attributable to equity holders of the parent						
	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 Changes in Equity
For the year ended 31 December 2016

	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 2015	258,000	24,000	374,059	277,500	922,217	488,109	(165,020)
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfer from retained earnings to general reserves		-	-	-	-	(10,396)	-
Dividends distributions (note 47)	-	-	-	-	-	-	-
Appropriation of 2014 profits	-	-	-	-	129,951	36,802	-
Purchase of treasury shares (note 42)	-	-	-	-	-	-	(55,852)
Sale of treasury shares (note 42)	-	-	-	-	-	-	38,096
Net gain on sale of treasury shares (note 42)	-	-	-	-	10,167	-	-
Premium on treasury shares (note 42)	-	-	-	-	-	-	2,068
Dividend distributions in a subsidiary company	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at 31 December 2015	**258,000**	**24,000**	**374,059**	**277,500**	**1,062,335**	**514,515**	**(180,708)**

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

2015							
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
1,115,464	14,727	498	(138,560)	532,859	3,703,853	99,225	3,803,078
-	-	-	-	583,102	583,102	26,321	609,423
-	-	(165)	(52,281)	-	(52,446)	(18,682)	(71,128)
-	**-**	**(165)**	**(52,281)**	**583,102**	**530,656**	**7,639**	**538,295**
10,396	-	-	-	-	-	-	-
-	-	-	-	(231,478)	(231,478)	-	(231,478)
134,654	-	-	-	(301,407)	-	-	-
-	-	-	-	-	(55,852)	-	(55,852)
-	-	-	-	-	38,096	-	38,096
-	-	-	-	-	10,167	-	10,167
-	-	-	-	-	2,068	-	2,068
(92)	-	-	-	26	(66)	(220)	(286)
(703)	-	-	-	-	(703)	(580)	(1,283)
1,259,719	**14,727**	**333**	**(190,841)**	**583,102**	**3,996,741**	**106,064**	**4,102,805**

Consolidated Statement of Cash Flows
At 31 December 2016

LL Million	Notes	2016	2015
Operating Activities			
Profit for the year before income tax		939,448	742,077
Adjustments for:			
Depreciation of property and equipment	29	35,762	36,004
Amortization of intangible assets	30	4,052	3,504
Gain on disposal of property and equipment		(171)	(134)
Provision for loans and advances to customers, net	13	123,775	25,330
Excess provisions to comply with the Central Bank of Lebanon	17	260,797	-
Provision for impairment of assets obtained in settlement of debt	31	109	297
Write-back of provision on assets obtained in settlement of debt	31	(236)	(821)
Net provision for risks and charges		17,492	47,081
Gain on disposal of assets obtained in settlement of debt		(171)	(259)
Net gain from sale of financial assets at amortized cost	11	(575,558)	(6,564)
Unrealized fair value gains on financial assets at fair value through profit or loss	10	(24,986)	(6,487)
Impairment losses on financial investments	14	34,749	-
Impairment of goodwill	13	19,415	-
Foreign currency translation losses on deconsolidation of subsidiaries	18	73,728	-
Other		(2,688)	(1,283)
		905,517	838,745
Changes in operating assets and liabilities:			
Balances with central banks		(3,742,247)	(753,169)
Due from banks and financial institutions		889,262	(898,282)
Loans to banks and financial institutions		2,823	31,912
Derivative financial instruments – debit		(12,461)	68,515
Financial assets at fair value through profit or loss		233,592	203,798
Net loans and advances to customers at amortized cost		1,092	(457,012)
Net loans and advances to related parties at amortized cost		(59,341)	463
Other assets		(11,323)	1,198
Due to banks and financial institutions		87,921	(9,205)
Derivative financial instruments – credit		(7,268)	(51,817)
Customers' deposits at amortized cost		(159,062)	1,624,851
Deposits from related parties at amortized cost		64,166	10,692
Other liabilities	38	28,797	(79,402)
Provisions for risks and charges		166,100	-
Cash (used in) from operations		(1,612,432)	531,287
Taxes paid		(120,515)	(124,811)
Provisions for risks and charges paid		(5,848)	(24,831)
Net cash (used in) from operating activities		**(1,738,795)**	**381,645**
Investing Activities			
Financial assets at amortized cost		2,407,004	(783,886)
Financial assets at fair value through other comprehensive income		2,361	911
Assets obtained in settlement of debt		(18,033)	(18,601)
Purchase of property and equipment	29	(150,829)	(88,045)
Purchase of intangible assets	30	(1,502)	(2,488)
Transfer of property and equipment and intangible assets	29&30	3,201	2,689
Transfer of assets obtained in settlement of debt	31	-	(224)
Cash proceeds from the sale of property and equipment and intangible assets		307	274
Net cash outflow from deconsolidation of subsidiaries	14	(229,622)	-
Net cash from (used in) investing activities		**2,012,887**	**(889,370)**
Financing activities			
Sale (purchase) of treasury shares – net		163,767	(17,756)
Net gain on sale of treasury shares		22,892	10,167
Premium on treasury shares		-	2,068
Dividends paid	47	(273,540)	(231,478)
Dividends paid to non-controlling interests in a subsidiary company		(1,628)	(286)
Net cash used in financing activities		**(88,509)**	**(237,285)**
Effect of exchange rate changes		**(292,704)**	**(51,972)**
Decrease in cash and cash equivalents		**(107,121)**	**(796,982)**
Cash and cash equivalents at 1 January		5,074,613	5,871,595
Cash and cash equivalents at 31 December	46	**4,967,492**	**5,074,613**
Operational cash flows from interest and dividends			
Interest paid		(1,519,493)	(1,416,967)
Interest received		2,542,240	2,318,400
Dividends received		8,423	7,348

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.

Effective 31 December 2016, the Group deconsolidated Bank of Syria and Overseas SA (BSO), Syria International Insurance (AROPE Syria) SA and Syria and Overseas Company for Financial Services (SOFS) since it no longer meets the accounting criteria for consolidation.

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 2016. 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 2016

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.

Standard	Description	Effective date
Amendments to IAS 1 – Disclosure Initiative	The amendments provide clarifications and narrow-focus improvements on materiality, presentation of primary statements, structure of notes, disclosure of accounting policies, and presentation of OCI arising from equity accounted investments. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose and how to structure notes in their financial statements.	*1 January 2016*
Amendments to IFRS 11 – Accounting for acquisition of interests in Joint Operations	The amendments clarify that when acquiring an interest in a joint operation where the activity of the joint operation constitutes a business, all of the principles on business combinations accounting in IFRS 3, and other IFRSs, that do not conflict with the guidance in IFRS 11 are to be applied. The requirements apply to the acquisition of both the initial interest and additional interests in a joint operation but any previously held interest in the joint operation would not be remeasured.	*1 January 2016*
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment entities – Applying the consolidation exception	The amendments define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.	*1 January 2016*
Amendments to IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortization	The amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.	*1 January 2016*
IFRS 10 Consolidated Financial Statements and IAS 28 - Investments in Associates & Joint Ventures	The amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (a) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations). (b) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture.	*1 January 2016*

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 2016, with the Group not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

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 recognized 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 recognizes 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*
IAS 12, "Income taxes"	The amendments clarify the following (a) Recognition of a deferred tax asset if the loss is unrealized is allowed, if certain conditions are met; and (b) The bottom line of the tax return is not the 'future taxable profit' for the recognition test. The IASB amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. The current approach of using the expected bottom line on the tax return – i.e. future taxable income less tax-deductible expenses, will no longer be appropriate instead the taxable income before the deduction will be used, to avoid double counting.	*1 January 2017*
IAS 7, "Statement of cash flows"	The amendments issued are as follows: (a) introduce additional disclosure requirements intended to address investors' concerns as currently they are not able to understand the management of an entity's financing activities; (b) require disclosure of information enabling users to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes; (c) do not prescribe a specific format for disclosures but indicates that we can fulfil the requirement by providing a reconciliation between opening and closing balances for liabilities arising from financing activities; and (d) are also applicable to financial assets that hedge liabilities arising from financing activities.	*1 January 2017*

Standard	Description	Effective date
IFRS 9, 'Financial instruments'	In prior years, the Group has early adopted IFRS 9 (2010) which includes the requirements for the classification and measurement. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments (IFRS 9 (2014)) which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Classification and measurement Debt instruments held within a business model in which assets are managed both in order to collect contractual cash flows and for sale should be measured at fair value through OCI but only if they pass the contractual characteristics assessment.	*1 January 2018*
IFRS 9, 'Financial instruments'	Impairment There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and receivables, either on a 12-month or lifetime basis. Hedging IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.	*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 recognize 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 recognized leases, but will have the option not to recognize 'short-term' leases and leases of 'low-value' assets. (c) Generally, the profit or loss recognition pattern for recognized leases will be similar to today's finance lease accounting, with interest and depreciation expense recognized 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*

The Group is in the process of analyzing the impact of IFRS 9, IFRS 15 and IFRS 16. The Group has assessed the impact of other standards, amendments to standards, revisions and interpretations. Based on the assessment, the above standards, amendments to standards, revisions and interpretations have no material impact on the consolidated financial statements of the Group as at the reporting date.

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 designated 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 2016, 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:

- the hybrid contract contains a host that is not an asset within the scope of IFRS 9
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- 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 leas. 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).

Deferred tax assets

Deferred tax assets are recognized in respect to tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

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 2016 %	31 December 2015 %
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	99.930	99.925
BLOM Development Bank SAL	Lebanon	Islamic banking activities	99.925	99.921
Bank of Syria and Overseas SA (*)	Syria	Banking activities	49.000	49.000
Arope Insurance SAL	Lebanon	Insurance activities	89.039	88.979
Syria International Insurance (Arope Syria) SA (*)	Syria	Insurance activities	42.723	42.703
BLOM Bank Egypt SAE	Egypt	Banking activities	99.419	99.419
BLOM Egypt Securities SAE	Egypt	Brokerage activities	99.647	99.644
BLOMInvest – Saudi Arabia	Saudi Arabia	Financial institution	59.965	59.963
BLOM Bank Qatar LLC	Qatar	Banking activities	99.750	99.750
Arope Life Insurance Egypt SAE	Egypt	Insurance activities	91.116	91.068
Arope Insurance of Properties and Responsibilities Egypt SAE	Egypt	Insurance activities	93.192	93.156
Syria and Overseas Company for Financial Services (*)	Syria	Brokerage activities	48.964	48.962
BLOM Securities	Jordan	Financial institution	100.000	100.000
Aza Holding SAL (**)	Lebanon	Investment activities	-	37.440
BLOM Asset Management Company SAL	Lebanon	Investment activities	99.997	-

(*) Effective 31 December 2016, the Group deconsolidated Bank of Syria and Overseas SA (BSO), Syria International Insurance (AROPE Syria) SA and Syria and Overseas Company for Financial Services (SOFS) since it no longer meets the accounting criteria for consolidation (Refer to notes 14 and 18).

(**) Aza Holding SAL was liquidated on 15 February 2016 and its assets were distributed among its shareholders according to their ownership percentages in the Company.

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:

(%)	2016	2015
Bank of Syria and Overseas SA (*)	51.000	51.000
BlomInvest – Saudi Arabia	40.035	40.037
Arope Insurance SAL	10.961	11.021

(*) Effective 31 December 2016, the Group deconsolidated Bank of Syria and Overseas SA (BSO) since it no longer meets the accounting criteria for consolidation.

Profile allocated to material non-controlling interests:

LL Million	2016	2015
Bank of Syria and Overseas SA (*)	13,233	17,840
BlomInvest – Saudi Arabia	3,827	4,358
Arope Insurance SAL	2,998	2,835

(*) Effective 31 December 2016, the Group deconsolidated Bank of Syria and Overseas SA (BSO) since it no longer meets the accounting criteria for consolidation.

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

	Bank of Syria and Overseas SA		BLOMInvest – Saudi Arabia		Arope Insurance SAL	
LL Million	2016	2015	2016	2015	2016	2015
Net interest income	5,247	7,899	1,000	373	21,208	16,228
Net fee and commission income	3,023	4,069	17,240	16,613	33,067	34,437
Net gain/(loss) from financial instruments at fair value through profit or loss	23,135	30,394	459	2,271	(262)	(197)
Net gain from sale of financial assets at amortized cost	-	-	-	49	-	461
Other operating income	70	150	27	73	10,218	220
Total operating income	**31,475**	**42,512**	**18,726**	**19,379**	**64,231**	**51,149**
Net credit gains/(losses)	3,447	4,796	-	-	(109)	(807)
Impairment losses on financial investments	-	-	-	-	(10,109)	-
Total operating expenses	(7,196)	(11,889)	(8,355)	(7,495)	(24,304)	(22,640)
Net (loss) gain on disposal of other assets	(1)	17	-	-	2	85
Profit before tax	**27,725**	**35,436**	**10,371**	**11,884**	**29,711**	**27,787**
Income tax expense	(1,778)	(456)	(812)	(998)	(2,362)	(2,065)
Profit for the year	**25,947**	**34,980**	**9,559**	**10,886**	**27,349**	**25,722**
Attributable to non-controlling interests	13,233	17,840	3,827	4,358	2,998	2,835

Summarized statement of financial position

LL Million	Bank of Syria and Overseas SA 2016	Bank of Syria and Overseas SA 2015	BLOMInvest – Saudi Arabia 2016	BLOMInvest – Saudi Arabia 2015	Arope Insurance SAL 2016	Arope Insurance SAL 2015
Assets						
Cash and balances with banks	-	91,348	1	1	36	50
Due from banks and financial institutions	-	284,323	66,146	29,554	374,568	353,904
Due from head office and sister banks	-	220,399	153	8	27,013	12,987
Financial assets at fair value through profit or loss	-	-	30,994	79,168	7,432	7,643
Net loans and advances at amortized cost	-	26,242	-	-	20,590	20,751
Financial assets at amortized cost	-	-	5,162	8,205	15,737	15,733
Investments in subsidiaries and associates	-	923	-	-	36,542	46,651
Property and equipment	-	9,792	24,265	24,555	24,634	23,519
Intangible assets	-	200	61	111	-	-
Assets obtained in settlement of debt	-	-	-	-	-	-
Other assets	-	6,984	30,821	22,712	70,044	61,219
Total assets	**-**	**640,211**	**157,603**	**164,314**	**576,596**	**542,457**
Liabilities						
Due to banks and financial institutions	-	3,592	-	-	-	-
Due to head office and sister banks	-	167,282	21	1,876	7,597	-
Customers' deposits at amortized cost	-	382,828	-	-	-	-
Deposits from related parties at amortized cost	-	2,430	-	-	-	-
Other liabilities	-	5,536	31,346	45,622	322,544	310,463
Provisions for risks and charges	-	15,590	1,672	521	47,627	47,554
Total liabilities	**-**	**577,258**	**33,039**	**48,019**	**377,768**	**358,017**
Total equity	**-**	**62,953**	**124,564**	**116,295**	**198,828**	**184,440**
Attributable to non-controlling interests	-	32,106	49,835	46,524	21,793	20,327
Total liabilities and equity	**-**	**640,211**	**157,603**	**164,314**	**576,596**	**542,457**

Summarized cash flow information

LL Million	Bank of Syria and Overseas SA 2016	Bank of Syria and Overseas SA 2015	BLOMInvest – Saudi Arabia 2016	BLOMInvest – Saudi Arabia 2015	Arope Insurance SAL 2016	Arope Insurance SAL 2015
Operating	-	(144,517)	55,683	(21,127)	23,294	24,111
Investing	-	17,555	3,020	(12,262)	(1,365)	(51,506)
Financing	-	-	-	-	(5,363)	-
	-	**(126,962)**	**58,703**	**(33,389)**	**16,566**	**(27,395)**

6. Segmental Information

The Group operates in four major business segments: retail; corporate; treasury, money and capital markets; 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, funds 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, money and capital markets

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 units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from operating profit or loss in the consolidated financial statements. Income taxes, personnel expenses, other operating expenses and net gain on disposal of fixed assets are managed on a group basis and are not allocated to operating segments.

Interest income is reported net since the majority of the segments' revenues are from interest. 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

	2016					
LL Million	Treasury, money and capital markets	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)
Segment loss						
Unallocated income						-
Unallocated expenses						(844,480)
Income tax expense						(241,731)
Profit for the year						**697,717**

LL Million	2015					
	Treasury, money and capital markets	Corporate banking	Retail banking	Asset management and private banking	Unallocated*	Total
Net interest income	520,877	173,010	223,766	4,238	-	921,891
Net fee and commission income	38,705	44,256	64,615	50,499	23,463	221,538
Net gain from financial instruments at fair value through profit or loss	66,172	-	32,667	-	-	98,839
Net gain from derecognition of financial assets at amortized cost	6,564	-	-	-	-	6,564
Revenue from financial assets at fair value through other comprehensive income	1,192	-	-	-	-	1,192
Other operating income	-	775	11,222	-	-	11,997
Net credit losses	-	(2,123)	(23,207)	-	-	(25,330)
Net operating income	**633,510**	**215,918**	**309,063**	**54,737**	**23,463**	**1,236,691**
Extracts of results						
Depreciation and amortization						(39,508)
Segment loss						
Unallocated income						134
Unallocated expenses						(455,240)
Income tax expense						(132,654)
Profit for the year						**609,423**

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

Financial position information

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**

LL Million	2015					
	Treasury, money and capital markets	Corporate banking	Retail banking	Asset management and private banking	Other**	Total
Total assets	32,041,949	6,459,915	4,366,335	112,032	886,740	**43,866,971**
Total liabilities	29,000,865	5,846,808	3,951,929	116,516	848,048	**39,764,166**

(**) 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 local 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	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**

LL Million	2015		
	Domestic	International	Total
Total operating income	981,302	280,719	1,262,021
Net credit losses	(26,178)	848	(25,330)
Net operating income[1]	**955,124**	**281,567**	**1,236,691**
Non-current assets[2]	**444,961**	**290,257**	**735,218**

[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	2016	2015
Interest income on debt instruments at amortized cost	929,928	899,168
Deposits and similar accounts with banks and financial institutions	821,356	676,931
Loans and advances to customers at amortized cost	800,468	760,233
Loans and advances to related parties at amortized cost	1,021	1,007
	2,552,773	**2,337,339**

8. Interest and Similar Expense

LL Million	2016	2015
Deposits and similar accounts from banks and financial institutions	19,594	18,371
Deposits from customers and other credit balances	1,481,469	1,387,607
Deposits from related parties at amortized cost	10,689	9,470
	1,511,752	**1,415,448**

9. Net Fee and Commission Income

LL Million	2016	2015
Fee and commission income		
Trade finance	27,782	29,632
Credit related fees and commissions	39,862	36,016
Asset management and private banking	55,468	52,559
Electronic banking	55,855	51,732
General banking income	45,409	42,583
Commission on insurance related activities	38,873	40,238
Trust and fiduciary activities	1,766	1,787
Other services	16,348	16,576
	281,363	**271,123**
Fee and commission expense		
Correspondents' accounts	(54,802)	(49,585)
	226,561	**221,538**

10. Net Gain from Financial Instruments at Fair Value through Profit or Loss

LL Million	2016	2015
Interest and similar income from debt instruments and other financial assets at fair value though profit or loss		
Government debt securities	7,407	9,364
Corporate debt securities	1,360	4,656
Certificates of deposit	659	800
Funds	205	70
	9,631	14,890
Net gain from sale of debt instruments and other financial assets at fair value through profit or loss		
Government debt securities	(166)	640
Corporate debt securities	8,110	8,769
Certificates of deposit	5,441	-
Funds	(1,030)	195
Options	(27)	(9)
	12,328	9,595
Net unrealized (loss) gain from revaluation of debt instruments and other financial assets at fair value through profit or loss:		
Government debt securities	(1,792)	(2,084)
Corporate debt securities	(4,930)	2,903
Funds	822	3,132
Certificates of deposit	(14)	60
	(5,914)	4,011
Dividend income from Funds at fair value through profit or loss	47	42
Net gain from debt instruments and other financial assets at fair value through profit or loss	**16,092**	**28,538**
Net gain from equity instruments at fair value through profit or loss		
Unrealized gain from revaluation	30,900	2,476
Dividend income	7,940	6,114
Gain from sale	1,114	1,366
Net gain from equity instruments at fair value through profit or loss	**39,954**	**9,956**
Foreign exchange income	**61,243**	**60,345**
	117,289	**98,839**

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:

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

LL Million	2015 Gains	2015 (Losses)	2015 Total
Lebanese sovereign and Central Bank of Lebanon			
Certificates of deposit	107	-	107
Treasury bills and bonds	7,472	(21)	7,451
Placements with the Central Bank of Lebanon	-	(1,074)	(1,074)
	7,579	**(1,095)**	**6,484**
Other sovereign			
Treasury bills and bonds	**80**	**-**	**80**
	7,659	**(1,095)**	**6,564**

During 2016, the Central Bank of Lebanon bought from the Group long-term treasury bills and certificates of deposit denominated in Lebanese Lira at prices significantly exceeding their fair values. 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 291,275 million from the Lebanese treasury bills portfolio and LL 260,009 million from the certificates of deposit portfolio.

12. Other Operating Income

LL Million	2016	2015
Gain from sale of assets obtained in settlement of debt	270	531
Write back of provisions for risks and charges (note 38)	11,935	839
Write back of provisions for assets taken in settlement of debt (note 31)	236	821
Others	8,961	9,806
	21,402	**11,997**

13. Net Credit Losses

LL Million	2016	2015
Provision for loans and advances		
Commercial loans (note 26)	115,541	34,172
Consumer loans (note 26)	45,179	30,823
Sundry debtors (note 32)	33	-
Commitment by signature (note 38)	1,425	918
	162,178	**65,913**
Write-back of provisions for loans and advances		
Commercial loans (note 26)	(16,077)	(15,429)
Consumer loans (note 26)	(11,966)	(7,615)
Unrealized interest (note 26)	(5,691)	(8,341)
Recoveries from loans reflected as off-financial position (note 26)	(3,342)	(4,593)
Recoveries from sundry debtors (note 32)	(33)	-
Recoveries from commitment by signature (note 38)	(1,294)	(4,605)
	(38,403)	**(40,583)**
	123,775	**25,330**

14. Impairment Losses on Financial Investments

LL Million	2016	2015
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 the subsidiary. 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 the subsidiary. 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's ability to attend the meetings and 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, effective 31 December 2016, 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 108,447 million, which includes:
• negative impact of LL 73,728 million deriving from losses from the translation into Lebanese Lira of the financial statements of the subsidiaries previously recognized under equity and reclassified to the consolidated income statement (note 18); and
• negative impact of LL 34,719 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	2016	2015
Salaries and related charges	149,463	144,486
Social security contributions	28,123	26,622
Provisions for retirement benefits obligation (note 38)	11,066	3,934
Additional allowances	43,724	41,114
Bonuses	79,670	67,635
	312,046	**283,791**

16. Other Operating Expenses

LL Million	2016	2015
Marketing and advertising	16,548	14,477
Professional fees	18,751	15,529
Maintenance and repairs	16,288	15,981
Provision for guarantee of deposits	15,560	14,999
Provision for risks and charges (note 38 (i)) (*)	8,707	20,799
Provision on impairment of assets taken in settlement of debt (note 31)	109	297
Rent and related charges	10,105	10,413
Postage and telecommunications	10,348	10,291
Stationary and printings	9,200	7,690
Fiscal stamps	6,985	6,960
Electricity and fuel	6,555	6,779
Taxes and fees	6,038	6,113
Travel expenses	5,448	3,635
Board of directors' attendance fees	2,431	2,070
Insurance	1,401	1,282
Others	42,833	34,134
	177,307	**171,449**

(*) Included under "Provision for risks and charges" is a provision amounting to LL 10,370 million booked by the Group during the year ended 31 December 2015 against balances held with the Central Bank of Iraq – Kurdistan.

17. Provisions for Risks and Charges

LL Million	2016	2015
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	2016	2015
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	2016	2015
Profit before income tax	939,448	742,077
Less: Results of the subsidiary insurance company located in Lebanon(*)	(29,711)	(27,787)
Accounting profit before income tax	**909,737**	**714,290**
Add:		
Provisions non tax deductible	371,904	1,860
Unrealized losses from revaluation of debt instruments and other financial assets at fair value through profit or loss	27	519
Other non tax deductible charges	40,740	53,495
	1,322,408	**770,164**
Less:		
Unrealized gains from revaluation of debt instruments and other financial assets at fair value through profit or loss	(19,938)	(2,753)
Dividends received and previously subject to income tax	(10,696)	(310)
Remunerations already taxed	(15,547)	(16,376)
4% of a subsidiary's capital eligible to be tax deductible	(400)	(400)
Unrealized gain on difference of exchange	-	(27,896)
Write-back of provisions previously subject to income tax	(16,946)	(1,061)
Net gain on disposal of fixed assets	(106)	(418)
Other taxable income	(3,945)	(23,749)
Taxable profit	**1,254,830**	**697,201**
Effective income tax rate	25.73%	17.88%
Income tax expense in the consolidated income statement	**241,731**	**132,654**

(*) 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:

		2016	2015
Net profit for the year	LL Million	697,717	609,423
Less: Proposed dividends on preferred shares	LL Million	(21,105)	(21,105)
Non-controlling interests	LL Million	(21,274)	(26,321)
Net profit attributable to ordinary equity holders of the parent	LL Million	**655,338**	**561,997**
Weighted average number of ordinary shares for basic earnings per share		197,356,940	200,906,610
Basic earnings per share	LL	**3,321**	**2,797**

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	2016	2015
Cash on hand	232,633	233,929
Current accounts with Central Banks	1,918,128	1,920,655
Deposits with the Central Banks	15,840,408	12,141,864
	17,991,169	**14,296,448**

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. Accordingly, the obligatory reserve amounted to LL 622,479 million at 31 December 2016 (2015: LL 560,635 million).

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. These placements amounted to US$ 1,979,815 thousands (equivalent to LL 2,985 billion) as at 31 December 2016 (2015: US$ 1,955,994 thousands equivalent to LL 2,949 billion).

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.

22. Due from Banks and Financial Institutions

LL Million	2016	2015
Current accounts		
Current accounts	**1,244,830**	**1,334,807**
Time deposits		
Time deposits	1,935,831	2,878,721
Doubtful accounts with banks	1,694	2,086
Less: Impairment allowance for doubtful accounts with banks	(1,232)	(1,681)
Less: Unrealized interest for doubtful accounts with banks	(462)	(405)
	1,935,831	**2,878,721**
	3,180,661	**4,213,528**

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

LL Million	2016	2015
Balance at 1 January	2,086	2,078
Provision for unrealized interest	57	58
Deconsolidation of subsidiaries	(375)	-
Foreign exchange difference	(74)	(50)
Balance at 31 December	**1,694**	**2,086**

23. Loans to Banks and Financial Institutions

LL Million	2016	2015
Loans to banks and financial institutions	60,108	62,799
Accrued interest receivable	445	577
Total	**60,553**	**63,376**

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:

	2016			2015		
LL Million	Assets	Liabilities	Total notional amount	Assets	Liabilities	Total notional amount
Derivatives held-for-trading						
Currency options	15,182	15,182	120,530	14,525	14,525	118,173
Forward foreign exchange contracts	15,386	14,815	2,693,130	12,281	12,059	4,725,179
Futures on commodities	-	-	-	2,425	2,425	33,087
Equity swaps and options	2,106	2,106	591,326	5,539	5,539	2,822,064
	32,674	**32,103**	**3,404,986**	**34,770**	**34,548**	**7,698,503**
Derivatives used as fair value hedges						
Currency swaps	**15,233**	**1,433**	**829,594**	**5,887**	**6,256**	**715,857**
Hedge of net investment in foreign operations						
Forward foreign exchange contracts	**5,273**	**-**	**172,246**	**62**	**-**	**177,679**
	53,180	**33,536**	**4,406,826**	**40,719**	**40,804**	**8,592,039**

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

Forward foreign exchange contracts (to sell Euros and buy US Dollars) designated as a hedge of the Group's net investment in its French subsidiary, and is being used to hedge the Group's investment exposure to foreign exchange risk on this investment amounting to Euro 107,904 thousand (2015: Euro 107,904). The notional amount of these contracts amounted to Euro 107,904 thousand (LL 172,246 million) as at 31 December 2016 (2015: LL 177,679 million). The forward foreign exchange contracts were revalued as of 31 December 2016 and resulted in unrealized gain of LL 5,273 million (2015: unrealized gain of LL 62 million). The contracts mature on 6 March 2017 at the latest.

25. Financial Assets at Fair Value through Profit or Loss

LL Million	2016	2015
Equity instruments at fair value through profit or loss	185,196	162,506
Debt and other instruments at fair value through profit or loss	201,463	432,763
	386,659	**595,269**

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

LL Million	2016	2015
Quoted equity securities	171,138	149,131
Unquoted equity securities	14,058	13,375
Quoted government debt securities	80,880	85,139
Unquoted government debt securities	18,877	34,013
Quoted corporate debt securities	45,855	143,963
Unquoted corporate debt securities	2,029	1,695
Funds	50,523	153,221
Unquoted certificates of deposit – Central Banks	3,299	14,732
	386,659	**595,269**

26. Net Loans and Advances to Customers at Amortized Cost

LL Million	2016	2015
Commercial loans	6,793,812	6,827,196
Consumer loans (*)	4,450,660	4,444,358
	11,244,472	**11,271,554**
Less:		
Individual impairment allowances	(325,628)	(236,106)
Collective impairment allowances	(92,367)	(125,158)
Unrealized interest	(118,087)	(94,584)
	10,708,390	**10,815,706**

(*) Included under consumer loans as at 31 December 2016, an amount of LL 2,656,277 million (31 December 2015: LL 2,512,790 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	2016	2015
Balance at 1 January	94,584	75,419
Add:		
Unrealized interest for the year	48,161	35,217
Foreign exchange difference	(2,290)	(2,487)
	140,455	**108,149**
Less:		
Recoveries of unrealized interest (note 13)	(5,691)	(8,341)
Amounts written-off	(12,827)	(523)
Transferred to off-financial position	(2,271)	(4,701)
Deconsolidation of subsidiaries	(1,579)	-
Balance at 31 December	**118,087**	**94,584**
Unrealized interest on substandard loans	16,370	8,338
Unrealized interest on doubtful loans	101,717	86,246
	118,087	**94,584**

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

	2016			2015		
LL Million	Commercial loans	Consumer loans	Total	Commercial loans	Consumer loans	Total
Balance at 1 January	276,248	85,016	361,264	285,066	87,181	372,247
Add:						
Charge for the year (note 13)	115,541	45,179	160,720	34,172	30,823	64,995
Transferred from provisions for risks and charges (note 38 (i))	849	-	849			
Foreign exchange difference	2,678	(5,442)	(2,764)	(2,930)	(3,448)	(6,378)
Reclassification	(1,135)	1,135	-	(312)	312	-
	394,181	**125,888**	**520,069**	**315,996**	**114,868**	**430,864**
Less:						
Provisions written-off	(250)	(1,404)	(1,654)	(836)	(1,645)	(2,481)
Write-back of provisions (note 13)	(16,077)	(11,966)	(28,043)	(15,429)	(7,615)	(23,044)
Provision transferred to off financial position	(12,522)	(25,354)	(37,876)	(23,483)	(20,179)	(43,662)
Provision transferred to commitments by signature (note 38 (iii))	-	-	-	-	(413)	(413)
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)	-	-	-
	(48,891)	**(53,183)**	**(102,074)**	**(39,748)**	**(29,852)**	**(69,600)**
Balance at 31 December	**345,290**	**72,705**	**417,995**	**276,248**	**85,016**	**361,264**
Individual impairment	276,923	48,705	325,628	186,558	49,548	236,106
Collective impairment	68,367	24,000	92,367	89,690	35,468	125,158
	345,290	**72,705**	**417,995**	**276,248**	**85,016**	**361,264**
Gross amount of loans individually determined to be impaired	**394,172**	**80,982**	**475,154**	**419,448**	**77,914**	**497,362**

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 313,563 million as of 31 December 2016 (2015: LL 338,476 million).

The fair value of collateral that the Group holds relating to loans and advances to corporate customers individually determined to be impaired amounts to LL 215,389 million as of 31 December 2016 (LL 324,057 million as of 31 December 2015). 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	2016	2015
Balance at 1 January	338,476	294,551
Add:		
Unrealized interest for the year	18,628	16,762
Provision and unrealized interest transferred from the statement of financial position	40,147	48,363
	397,251	**359,676**
Less:		
Provisions written-back (note 13)	(3,342)	(4,593)
Amounts written-off	(2,840)	(2,183)
Deconsolidation of subsidiaries	(18,295)	-
Foreign exchange difference	(59,211)	(14,424)
	(83,688)	**(21,200)**
Balance at 31 December	**313,563**	**338,476**

27. Financial Assets at Amortized Cost

LL Million	2016	2015
Quoted		
Government debt securities	2,005,012	2,438,422
Corporate debt securities	1,310,318	1,355,958
	3,315,330	**3,794,380**
Unquoted		
Government debt securities	4,451,790	5,316,572
Corporate debt securities	54,340	79,931
Certificates of deposit – Central Banks	2,806,799	3,246,187
Certificates of deposit – Commercial banks and financial institutions	366,674	389,309
	7,679,603	**9,031,999**
	10,994,933	**12,826,379**

The impairment allowance on financial assets classified at amortized cost at 31 December 2016 amounted to LL 4,980 million (31 December 2015: LL 5,138 million).

28. Financial Assets at Fair Value through other Comprehensive Income

LL Million	2016	2015
Equity securities	2,093	2,991
Funds	1,722	3,238
	3,815	**6,229**

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

	2016			2015		
LL Million	Carrying amount	Cumulative fair value changes	Dividend income	Carrying amount	Cumulative fair value changes	Dividend income
Equity securities	2,093	227	435	2,991	108	1,126
Funds	1,722	1,005	-	3,238	907	66
	3,815	**1,232**	**435**	**6,229**	**1,015**	**1,192**

Dividend income amounted to LL 435 million for the year ended 31 December 2016 (2015: LL 1,192 million) and resulted from equity instruments held at year end (2015: resulted from equity instruments and funds held at year end).

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 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**

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 2015	435,179	6,994	309,353	125,691	877,217
Additions	21,012	1,767	15,710	49,556	88,045
Disposals	-	(1,600)	(3,413)	-	(5,013)
Transfers	58,223	136	19,362	(84,308)	(6,587)
Translation difference	(18,361)	(227)	(7,062)	(5,920)	(31,570)
At 31 December 2015	**496,053**	**7,070**	**333,950**	**85,019**	**922,092**
Depreciation					
At 1 January 2015	68,391	3,634	185,567	-	257,592
Charge for the year	9,402	1,271	25,331	-	36,004
Relating to disposals	-	(1,551)	(2,933)	-	(4,484)
Translation difference	(3,775)	(148)	(7,211)	-	(11,134)
At 31 December 2015	**74,018**	**3,206**	**200,754**	**-**	**277,978**
Net carrying value At 31 December 2015	**422,035**	**3,864**	**133,196**	**85,019**	**644,114**

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 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**

LL Million	Software development	Key money	Advances on acquisition of intangible assets	Total
Cost				
At 1 January 2015	15,222	4,339	61	19,622
Additions	2,437	-	51	2,488
Disposals	(2)	-	-	(2)
Transfers	3,953	-	(55)	3,898
Translation difference	(515)	(479)	(5)	(999)
At 31 December 2015	**21,095**	**3,860**	**52**	**25,007**
Amortization				
At 1 January 2015	13,367	3,765	-	17,132
Charge for the year	3,426	78	-	3,504
Relating to disposals	(2)	-	-	(2)
Translation difference	(483)	(334)	-	(817)
At 31 December 2015	**16,308**	**3,509**	**-**	**19,817**
Net carrying value At 31 December 2015	**4,787**	**351**	**52**	**5,190**

31. Assets Obtained in Settlement of Debt

LL Million	2016	2015
Cost		
At 1 January	43,200	24,754
Additions	20,676	22,763
Disposals	(2,472)	(3,903)
Transfers	-	224
Write-back (note 12)	236	821
Deconsolidation of subsidiaries	(21)	-
Translation difference	(6,600)	(1,459)
At 31 December	**55,019**	**43,200**
Impairment		
At 1 January	(5,162)	(4,865)
Charge for the year (note 16)	(109)	(297)
Translation difference	8	-
At 31 December	**(5,263)**	**(5,162)**
Net carrying value At 31 December	**49,756**	**38,038**

32. Other Assets

LL Million	2016	2015
Reinsurer's share of technical reserves	52,089	44,512
Prepaid expenses	20,473	21,447
Compulsory deposits (i)	6,168	12,463
Sundry debtors (ii)	14,083	17,363
Other revenues to be collected	3,115	4,878
Customers' transactions between head office and branches	925	1,580
Precious metals and stamps	1,130	1,165
Other assets	58,454	49,621
	156,437	**153,029**

(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	2016	2015
BLOMInvest Bank SAL	1,500	1,500
Bank of Syria and Overseas SA (*)	-	6,240
BLOM Development Bank SAL	4,500	4,500
BLOM Bank France	114	169
BLOM Securities	54	54
	6,168	**12,463**

(*) The balance of Compulsory deposits in Bank of Syria and Overseas SA was nil as at 31 December 2016 due to the deconsolidation of the subsidiary (2015: LL 6,240 million).

(ii) Sundry debtors

LL Million	2016	2015
Sundry debtors	15,493	18,773
Less: Provision against sundry debtors	(1,410)	(1,410)
	14,083	**17,363**

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

LL Million	2016	2015
Balance at 1 January	1,410	1,414
Charge for the year (note 13)	33	-
Write-back of provisions (note 13)	(33)	-
Provision written-off	-	(4)
Balance at 31 December	**1,410**	**1,410**

33. Goodwill

LL Million	2016	2015
Cost		
At 1 January	47,876	52,214
Impairment loss	(19,415)	-
Translation difference	(26,511)	(4,338)
At 31 December	**1,950**	**47,876**

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to groups of cash-generating units (CGU), which are also reportable segments, for impairment testing as follows:

LL Million	2016	2015
Corporate and retail banking (BLOM Bank Egypt SAE)	-	45,871
Asset management and private banking (BLOM Bank (Switzerland) SA)	1,181	1,236
Financial Services (BLOM Securities)	769	769
	1,950	**47,876**

Key assumptions used in value in use calculations

The recoverable amount of BLOM Bank Egypt SAE has been determined based on a value in use calculation, using cash flow projections based on financial budgets approved by senior management covering a five to ten-year period. The following rates are used by the Group:

%	2016	2015
Discount rate	20	14
Projected growth rate (average during the first 5 years)	5	5
Projected growth rate beyond the five year period	3	3

The calculation of value in use for BLOM Bank Egypt SAE is most sensitive to the following assumptions:

• Interest margins;
• Discount rates;
• Projected growth rates;
• Gross domestic product of the country where the subsidiary operates; and
• Local inflation rates.

The commercial banking CGU in Egypt is a separate legal entity performing commercial banking activities to its customers. The recoverable amount has been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a five to ten-year period. The projected cash flows have been updated to reflect the decrease in the level of activity due to the prevailing economic conditions in Egypt. The discount rate applied to cash flow projections is 20% (2015:14%). As a result, an impairment loss on goodwill of LBP 19,415 million was recognised for the year ended 31 December 2016 (2015: nil).

Interest margins
Interest margins are based on average values achieved in the 13 months proceeding of the budget period. These are increased over the budget period for anticipated market conditions.

Discount rates
Discount rates reflect management's estimate of return on capital employed. Discount rates are calculated by using the cost of equity.

Projected growth rates, GDP and local inflation rates
Assumptions are based on management analysis and published industry research.

Sensitivity to changes in assumptions
Management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of the units to exceed their recoverable amount.

34. Due to Central Banks and Repurchase Agreements

LL Million	2016	2015
Loan due to Central Bank of Lebanon	493,762	442,381
Loan due to Central Bank of Jordan	20,398	13,172
Loan due to Central Bank of Egypt	2,930	626
Accrued interest payable	4,861	4,089
Balance at 31 December	**521,951**	**460,268**

Following the Central Bank of Lebanon Intermediate Circulars No. 313, 318, 382, 408 and 12379 issued on 14 January 2013, 28 February 2013, 10 December 2014, 20 November 2015 and 12 December 2016 respectively, the Central Bank of Lebanon offered the commercial banks facilities up to a ceiling of 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 2016, the Bank obtained facilities amounting to LL 493,762 million (31 December 2015: LL 442,381 million).

35. Due to Banks and Financial Institutions

LL Million	2016	2015
Current accounts	282,609	259,013
Time deposits	273,390	227,680
Loans	34,809	-
Balance at 31 December	**590,808**	**486,693**

36. Customers' Deposits at Amortized Cost

LL Million	2016	2015
Customers' deposits at amortized cost		
Sight deposits	4,909,865	5,411,603
Time deposits	16,740,727	17,209,657
Saving accounts	13,234,520	12,822,833
Credit accounts and deposits against debit accounts	2,213,873	2,137,000
Margins on letters of credit	40,842	42,684
Balance at 31 December	**37,139,827**	**37,623,777**

Customers' deposits include coded deposit accounts in BLOM Bank SAL and BLOMInvest Bank SAL amounting to LL 34,648 million as of 31 December 2016 (2015: LL 48,019 million).

37. Other Liabilities

LL Million	2016	2015
Unearned premiums and liability related to insurance contracts	304,362	302,210
Sundry creditors	96,116	105,699
Current tax liabilities	210,736	81,375
Accrued expenses	56,735	58,903
Transactions pending between branches	108,953	90,810
Complementary taxes due related to a subsidiary bank (i)	13,363	25,178
Other taxes due	19,030	18,424
Dividends payable	796	433
Other liabilities	11,997	15,783
Balance at 31 December	**822,088**	**698,815**

(i) Complementary taxes due related to BLOM Bank Egypt SAE represent mainly accruals for additional complementary taxes resulting from inspection by tax authorities.

38. Provisions for Risks and Charges

LL Million	2016	2015
Deferred revenues (*)	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	-
Provision for risks and charges (i)	54,106	43,997
Provision for outstanding claims and IBNR reserves related to subsidiary-insurance companies	41,789	42,613
Retirement benefits obligation (ii)	65,919	64,265
Provision on commitment by signature (iii)	3,883	12,341
Other provisions	1,058	1,134
Balance at 31 December	**593,652**	**164,350**

(*) During 2016, the Central Bank of Lebanon issued Intermediate Circular number 446 dated 30 December 2016 relating to the gain realized by banks from certain financial transactions with the Central Bank of Lebanon, consisting of the sale of financial instruments denominated in Lebanese Lira and the purchase of financial instruments denominated in US Dollars. In accordance with the provisions of this circular, banks should recognize in the income statement, only part of the gain net of tax, caped to the extent of the losses recorded to comply with recent regulatory provisioning requirements, the impairment losses on subsidiaries and goodwill recorded in accordance with IAS 36 and IFRS 3 respectively and the shortage needed to comply with the capital adequacy requirements. Lebanese banks may further recognize up to 70% of the remaining balance of the gain realized net of tax in the income statement as non-distributable profits to be appropriated to reserves for capital increase, qualifying for inclusion within regulatory Common Equity Tier One.

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. The related taxes amounting to LL 29,312 million were recorded directly in current tax liability. The amount recorded as deferred revenues qualifies for inclusion within regulatory Tier 2 Capital in accordance with the provisions of the circular.

(**) 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 include an amount of LL 260,797 million in excess of the provisioning requirements of IAS 39 (2015: nil).

(i) Provisions for risks and charges

LL Million	2016	2015
Balance at 1 January	43,997	26,290
Charge for the year (note 16)	8,707	20,799
Provisions paid during the year	(429)	(180)
Provisions written-back during the year (note 12)	(11,935)	(839)
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	(9,537)	(2,073)
Balance at 31 December	**54,106**	**43,997**

(ii) Retirement benefits obligation

LL Million	2016	2015
Balance at 1 January	64,265	65,930
Charge for the year (note 15)	11,066	3,934
Benefits paid	(3,956)	(4,682)
Exchange difference	(5,456)	(917)
Balance at 31 December	**65,919**	**64,265**

(iii) Provision on commitment by signature

LL Million	2016	2015
Balance at 1 January	12,341	13,853
Charge for the year (note 13)	1,425	918
Provision transferred from collective impairment on retail loans (note 26)	-	413
Provisions written-back during the year (note 13)	(1,294)	(4,605)
Provisions written-off	(66)	(237)
Transfers to provision for risks and charges	(8)	-
Reversal of provisions transferred from for risks and charges related to a deconsolidated subsidiary (i)	(413)	-
Deconsolidation of subsidiaries	(7,694)	-
Exchange difference	(408)	1,999
Balance at 31 December	**3,883**	**12,341**

39. Share Capital and Premiums

	2016		2015	
LL Million	Share capital	Share premium	Share capital	Share premium
Common shares – Authorized, issued and fully paid				
215,000,000 shares at LL 1,200 per share as of 31 December 2016 (31 December 2015: the same)	**258,000**	**374,059**	**258,000**	**374,059**

LL Million	2016 Share capital	2016 Share premium	2015 Share capital	2015 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 (31 December 2015: the same)	**24,000**	**277,500**	**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.

All of the Bank's common and preferred 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 (2015: 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 2015	353,949	436,198	73,700	58,370	922,217
Appropriation of 2014 profits	55,236	50,625	18,675	5,415	129,951
Net gain on sale of treasury shares	-	-	10,167	-	10,167
At 31 December 2015	**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
Other adjustments	1	9	1	-	11
Transfer due to deconsolidated entities	(1,008)	(929)	-	(139)	(2,076)
At 31 December 2016	**441,922**	**538,416**	**143,497**	**68,817**	**1,192,652**

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 2016 from the profits of the year 2015 amounted to LL 33,744 million (2015: LL 55,236 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 2016, the Group appropriated LL 52,513 million from 2015 profits to the legal reserve in accordance with the General Assembly of Shareholders' resolution (2015: LL 50,625 million).

Reserve for increase of share capital
The balance amounting to LL 143,497 million (2015: LL 102,542 million) represents a regulatory reserve pursuant to circular no. 167, dated 24 January 1994, issued by the Banking Control Commission. This reserve cannot be distributed as dividends.

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

LL Million	2016	2015
Recoveries of provisions for doubtful debts and reserves for assets taken in recovery of debts	86,678	68,616
Revaluation reserves for fixed assets sold	668	668
Gain on sale of treasury shares	56,048	33,156
Transfer from other reserves	102	102
Other adjustments	1	-
	143,497	**102,542**

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 2016, the Group transferred an amount of LL 5,171 million from retained earnings to other reserves (2015: LL 5,415 million).

41. Distributable Reserves

LL Million	2016	2015
General reserves	**559,860**	**514,515**

General reserves
The Group appropriates general reserves from its retained earnings to strengthen its equity. This reserve amounting to LL 559,860 million (2015: LL 514,515 million) is available for dividend distribution.

42. Treasury Shares
Movement of treasury shares recognized in the consolidated statement of financial position is as follows:

	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**

	2015	
	No. of common shares	Amount LL Million
At 1 January	12,639,504	165,020
Purchase of treasury shares	3,871,092	55,852
Sale of treasury shares	(2,879,110)	(38,096)
Premium on treasury shares	-	(2,068)
At 31 December	**13,631,486**	**180,708**

The treasury shares represent 557,484 Global Depositary Receipts (GDR) and 8,663,167 ordinary shares owned by the Group as at 31 December 2016 (2015: 4,200,133 Global Depository Receipts (GDR) and 9,431,353 ordinary shares). The market value of one GDR and one ordinary share were USD 11 and USD 10.6 respectively as of 31 December 2016 (2015: USD 9.75 and USD 9.4 respectively).

The Group realized a gain of LL 22,892 million from the sale of treasury shares during the year 2016 (2015: gain of LL 10,167 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	2016	2015
Group’s share of accumulated unrealized gain on revaluation of structural position of subsidiary bank (*)	11,724	34,940
Unrealized gain on financial assets at fair value through profit or loss	54,915	72,176
	66,639	**107,116**

(*) This related to Blom Bank France SA – Romania Branch as at 31 December 2016 (2015: Blom Bank France SA – Romania Branch and Bank of Syria and Overseas SA).

44. Revaluation Reserve of Real Estate

LL Million	2016	2015
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	2016	2015
At 1 January	333	498
Net changes in fair values during the year	237	(165)
Translation difference	(20)	-
Balance at 31 December	**550**	**333**

46. Cash and Cash Equivalents

LL Million	2016	2015
Cash and balances with central banks	2,855,865	2,960,762
Deposits with banks and financial institutions (whose original maturities are less than 3 months)	2,522,567	2,503,682
	5,378,432	**5,464,444**
Less:		
Due to central banks	(15,358)	(13,350)
Repurchase agreements	(2,930)	(626)
Due to banks and financial institutions (whose original maturities are less than 3 months)	(392,652)	(375,855)
	4,967,492	**5,074,613**

47. Dividends Declared and Paid

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.

According to the resolution of the General Assembly meeting held on 15 April 2015, the following dividends were declared and paid, from the 2014 profits.

	2015		
	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	210,373,123	1,000.00	210,373
			231,478

The dividends on common shares, declared on 15 April 2015, 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 operation 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:

	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**

	2015		
	Key management personnel	Other related parties	Total
LL Million	Outstanding balance	Outstanding balance	Outstanding balance
Deposits	186,368	14,237	**200,605**
Net loans and advances	14,373	17,843	**32,216**
Guarantees given	4,170	55	**4,225**

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

LL Million	2016 Key management personnel	2016 Other related parties	2016 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**

LL Million	2015 Key management personnel	2015 Other related parties	2015 Total
Interest paid on deposits	8,624	846	**9,470**
Interest received from net loans and advances	425	582	**1,007**

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	2016	2015
Short-term benefits	**56,124**	**57,924**
Post-employment benefits (charge for the year)	**5,860**	**1,444**

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.

LL Million	2016		
	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**

LL Million	2015		
	Banks	Customers	Total
Guarantees issued	33,805	806,659	840,464
Commitments			
Documentary credits	182,850	-	182,850
Loan commitments	-	2,182,976	2,182,976
Of which revocable	-	*1,770,736*	*1,770,736*
Of which irrevocable	-	*412,240*	*412,240*
Other commitments	3,526,828	43,174	3,570,002
	3,743,483	**3,032,809**	**6,776,292**

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	2016	2015
Capital commitments		
Property and equipment	**15,379**	**62,727**
Operating lease commitments – Group as lessee		
Future minimum lease payments under operating leases:		
During one year	1,964	2,109
More than 1 year and less than five years	5,165	5,539
More than five years	3,218	3,817
Total operating lease commitments at the consolidated statement of financial position date	**10,347**	**11,465**

Other commitments and contingencies

The Bank's books in Lebanon were subject to a review by the tax authorities for the years 2012 to 2014 inclusive. However, the tax authorities did not issue a final report as of the report date. The Bank's books in Lebanon remain subject to the review by the tax authorities for the period from 1 January 2015 till 31 December 2016. Management believes that the ultimate outcome of any review by the tax authorities on the Bank's books for these years will not have a material impact on the financial statements.

The Bank's books in Lebanon are subject to the review by the National Social Security Fund (NSSF) for the period from 1 November 2014 to 31 December 2016. Management believes that the ultimate outcome of any review by the National Social Security Fund (NSSF) on the Bank's books for these years 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	2016	2015
Assets held in custody and under administration	**10,736,739**	**10,128,324**

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:

	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**
Futures on commodities	-	2,106	-	**2,106**

LL Million	2015			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments:				
Currency swaps and options	-	20,412	-	**20,412**
Forward foreign exchange contracts	-	12,281	-	**12,281**
Futures on commodities	-	2,425	-	**2,425**
Equity swaps and options	-	5,539	-	**5,539**
Forward foreign exchange contracts used for hedging purposes	-	62	-	**62**
Financial assets at fair value through profit or loss:				
Quoted equity securities	149,131	-	-	**149,131**
Unquoted equity securities	-	13,375	-	**13,375**
Quoted government debt securities	85,139	-	-	**85,139**
Unquoted government debt securities	-	34,013	-	**34,013**
Quoted corporate debt securities	143,963	-	-	**143,963**
Unquoted corporate debt securities	-	1,695	-	**1,695**
Funds	-	153,221	-	**153,221**
Unquoted certificates of deposit – Central Banks	-	14,732		**14,732**
Financial assets at fair value through other comprehensive income:				
Unquoted equity securities	-	2,991	-	**2,991**
Funds	-	3,238	-	**3,238**
Financial liabilities:				
Derivative financial instruments:				
Currency swaps and options	-	20,781	-	**20,781**
Forward foreign exchange contracts	-	12,059	-	**12,059**
Futures on commodities	-	2,425	-	**2,425**
Equity swaps and options	-	5,539	-	**5,539**

There were no transfers between levels during 2016 (2015: 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:

	2016		2015	
LL Million	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and balances with central banks	17,991,169	18,256,952	14,296,448	14,663,485
Due from banks and financial institutions	3,180,661	3,180,464	4,213,528	4,213,168
Loans to banks and financial institutions	60,553	61,457	63,376	66,929
Net loans and advances to customers at amortized cost	10,708,390	10,749,331	10,815,706	10,865,978
Net loans and advances to related parties at amortized cost	91,557	91,869	32,216	32,505
Debtors by acceptances	113,492	113,492	88,854	88,854
Financial assets at amortized cost	10,994,933	10,961,301	12,826,379	13,099,552
Government debt securities	*6,456,802*	*6,465,251*	*7,754,994*	*7,872,033*
Certificates of deposit – Central Banks	*2,806,799*	*2,749,408*	*3,246,187*	*3,382,991*
Corporate debt securities	*1,364,658*	*1,385,456*	*1,435,889*	*1,459,238*
Certificates of deposit – Commercial banks and financial institutions	*366,674*	*361,186*	*389,309*	*385,290*
Financial liabilities				
Due to central banks	519,021	346,092	459,642	299,202
Repurchase agreements	2,930	2,930	626	626
Due to banks and financial institutions	590,808	590,785	486,693	486,681
Customers' deposits at amortized cost	37,139,827	37,244,454	37,623,777	37,697,509
Deposits from related parties at amortized cost	262,490	262,914	200,605	200,915
Engagements by acceptances	113,492	113,492	88,854	88,854

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 2016 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.

	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**

LL Million	2015			
	Valuation techniques			
	Level 1	Level 2	Level 3	Total
Assets for which fair values are disclosed:				
Cash and balances with central banks	233,929	14,429,556	-	**14,663,485**
Due from banks and financial institutions	-	4,213,168	-	**4,213,168**
Loans to banks and financial institutions	-	66,929	-	**66,929**
Net loans and advances to customers at amortized cost	-	-	10,865,978	**10,865,978**
Net loans and advances to related parties at amortized cost	-	-	32,505	**32,505**
Financial assets at amortized cost:				
Government debt securities	*2,439,680*	*5,432,353*	-	***7,872,033***
Certificates of deposit - Central Banks	-	*3,382,991*	-	***3,382,991***
Corporate debt securities	*1,379,255*	*79,983*	-	***1,459,238***
Certificates of deposit - Commercial banks and financial institutions	-	*385,290*	-	***385,290***
Liabilities for which fair values are disclosed:				
Due to central banks	-	299,202	-	**299,202**
Repurchase Agreements	-	626	-	**626**
Due to banks and financial institutions	-	486,681	-	**486,681**
Customers' deposits at amortized cost	-	37,697,509	-	**37,697,509**
Deposits from related parties at amortized cost	-	200,915	-	**200,915**

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:

	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**

LL Million	2015 Less than one year	2015 More than one year	2015 Total
Assets			
Cash and balances with central banks	3,721,035	10,575,413	14,296,448
Due from banks and financial institutions	4,168,775	44,753	4,213,528
Loans to banks and financial institutions	14,209	49,167	63,376
Derivative financial instruments	40,719	-	40,719
Financial assets at fair value through profit or loss	115,418	479,851	595,269
Net loans and advances to customers at amortized cost	7,847,951	2,967,755	10,815,706
Net loans and advances to related parties at amortized cost	18,718	13,498	32,216
Debtors by acceptances	88,449	405	88,854
Financial assets at amortized cost	2,923,962	9,902,417	12,826,379
Financial assets at fair value through other comprehensive income	-	6,229	6,229
Property and equipment	-	644,114	644,114
Intangible assets	-	5,190	5,190
Assets obtained in settlement of debt	-	38,038	38,038
Other assets	130,906	22,123	153,029
Goodwill	-	47,876	47,876
Total assets	**19,070,142**	**24,796,829**	**43,866,971**
Liabilities			
Due to central banks	44,775	414,867	459,642
Repurchase Agreements	626	-	626
Due to banks and financial institutions	486,693	-	486,693
Derivative financial instruments	40,804	-	40,804
Customers' deposits at amortized cost	36,804,372	819,405	37,623,777
Deposits from related parties at amortized cost	200,520	85	200,605
Engagements by acceptances	88,449	405	88,854
Other liabilities	593,752	105,063	698,815
Provisions for risks and charges	84,357	79,993	164,350
Total liabilities	**38,344,348**	**1,419,818**	**39,764,166**
Net	**(19,274,206)**	**23,377,011**	**4,102,805**

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 taking into account the requirements of pillar III of the Basel framework.

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. Group Risk 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.

	2016		
LL Million	Domestic	International	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**

LL Million	2015 Domestic	2015 International	2015 Total
Financial assets			
Balances with central banks	12,254,032	1,808,487	14,062,519
Due from banks and financial institutions	553,753	3,659,775	4,213,528
Loans to banks and financial institutions	34,681	28,695	63,376
Derivative financial instruments	14,587	26,132	40,719
Financial assets at fair value through profit or loss	207,186	388,083	595,269
Government debt securities	*104,577*	*14,575*	*119,152*
Corporate debt securities	-	*145,658*	*145,658*
Certificates of deposit – Central Banks	*14,732*	-	*14,732*
Funds	*71,869*	*81,352*	*153,221*
Shares	*16,008*	*146,498*	*162,506*
Net loans and advances to customers at amortized cost	7,410,818	3,404,888	10,815,706
Commercial loans	*4,051,343*	*2,405,022*	*6,456,365*
Consumer loans	*3,359,475*	*999,866*	*4,359,341*
Net loans and advances to related parties at amortized cost	20,813	11,403	32,216
Debtors by acceptances	67,232	21,622	88,854
Financial assets at amortized cost	9,320,640	3,505,739	12,826,379
Government debt securities	*5,670,456*	*2,084,538*	*7,754,994*
Corporate debt securities	*37,730*	*1,398,159*	*1,435,889*
Certificates of deposit – Central Banks	*3,246,187*	-	*3,246,187*
Certificates of deposit – Commercial banks and financial institutions	*366,267*	*23,042*	*389,309*
Financial assets at fair value through other comprehensive income	-	6,229	6,229
Total credit exposure	**29,883,742**	**12,861,053**	**42,744,795**

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	2016 Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other	Net credit exposure
Balances with central banks	17,758,536	-	15,000	-	-	-	17,773,536
Due from banks and financial institutions	3,180,661	-	4,000	-	-	-	3,184,661
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	386,659	-	-	-	-	-	386,659
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*
	32,147,979	**1,572,187**	**313,047**	**93,015**	**4,571,007**	**2,298,448**	**23,300,275**
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
	43,347,961	**1,636,016**	**316,318**	**93,015**	**4,582,562**	**2,308,900**	**34,411,150**
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.

LL Million	2015						
	Maximum exposure	Cash	Securities	Letters of credit / guarantees	Real estate	Other	Net credit exposure
Balances with central banks	14,062,519	-	-	-	-	-	14,062,519
Due from banks and financial institutions	4,213,528	-	4,000	-	-	-	4,209,528
Loans to banks and financial institutions	63,376	-	-	-	-	-	63,376
Derivative financial instruments	40,719	-	-	-	-	-	40,719
Financial assets at fair value through profit or loss	595,269	-	-	-	-	-	595,269
Net loans and advances to customers at amortized cost:	10,815,706	1,627,506	166,888	90,675	4,693,600	2,429,113	1,807,924
Commercial loans	*6,456,365*	*1,537,539*	*166,888*	*90,675*	*2,103,317*	*1,092,527*	*1,465,419*
Consumer loans	*4,359,341*	*89,967*	*-*	*-*	*2,590,283*	*1,336,586*	*342,505*
	29,791,117	**1,627,506**	**170,888**	**90,675**	**4,693,600**	**2,429,113**	**20,779,335**
Net loans and advances to related parties at amortized cost	32,216	6,711	-	-	14,721	95	10,689
Debtors by acceptances	88,854	-	-	-	-	-	88,854
Financial assets at amortized cost	12,826,379	-	-	-	-	-	12,826,379
	42,738,566	**1,634,217**	**170,888**	**90,675**	**4,708,321**	**2,429,208**	**33,705,257**
Guarantees received from banks, financial institutions and customers							
Utilized collateral		1,634,217	170,888	90,675	4,708,321	2,429,208	9,033,309
Surplus of collateral before undrawn credit lines		621,995	917,675	26,831	2,887,422	5,489,596	9,943,519
		2,256,212	**1,088,563**	**117,506**	**7,595,743**	**7,918,804**	**18,976,828**

The surplus of collateral mentioned above is presented before offsetting additional credit commitments given to customers amounting to LL 2,182,976 million as at 31 December 2015.

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.

	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	98,407	-	-	-	201,463
Government debt securities	*99,757*	-	-	-	-	*99,757*
Corporate debt securities	-	*47,884*	-	-	-	*47,884*
Funds	-	*50,523*	-	-	-	*50,523*
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	-	-	-	10,994,933
Government debt securities	*6,456,802*	-	-	-	-	*6,456,802*
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**	**15,611,015**	**249,528**	**124,465**	**476,848**	**43,587,049**

LL Million	2015					
	Sovereign	Non-Sovereign				
	Neither past due nor impaired	Neither past due nor impaired	Past due but not impaired	Individually impaired		
	Regular and special mention	Regular and special mention	Regular and special mention	Sub-standard	Non performing	Total
Balances with central banks	14,062,519	-	-	-	-	14,062,519
Due from banks and financial institutions	-	4,213,528	-	-	2,086	4,215,614
Loans to banks and financial institutions	-	63,376	-	-	-	63,376
Derivative financial instruments	-	40,719	-	-	-	40,719
Financial assets at fair value through profit or loss	133,884	298,879	-	-	-	432,763
Government debt securities	*119,152*	-	-	-	-	*119,152*
Corporate debt securities	-	*145,658*	-	-	-	*145,658*
Funds	-	*153,221*	-	-	-	*153,221*
Certificates of deposit – Central Banks	*14,732*	-	-	-	-	*14,732*
Net loans and advances to customers at amortized cost	-	10,343,649	371,096	59,447	497,362	11,271,554
Commercial loans	-	*6,214,346*	*142,970*	*50,432*	*419,448*	*6,827,196*
Consumer loans	-	*4,129,303*	*228,126*	*9,015*	*77,914*	*4,444,358*
Net loans and advances to related parties at amortized cost	-	32,216	-	-	-	32,216
Financial assets at amortized cost	11,001,181	1,825,198	-	-	-	12,826,379
Government debt securities	*7,754,994*	-	-	-	-	*7,754,994*
Corporate debt securities	-	*1,435,889*	-	-	-	*1,435,889*
Certificates of deposit – Central Banks	*3,246,187*	-	-	-	-	*3,246,187*
Certificates of deposit – Commercial banks and financial institutions	-	*389,309*	-	-	-	*389,309*
Total	**25,197,584**	**16,817,565**	**371,096**	**59,447**	**499,448**	**42,945,140**

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

LL Million	2016				
	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**

LL Million	2015				
	Less than 30 days	30 to 60 days	61 to 90 days	More than 90 days	Total
Commercial loans	91,693	15,613	17,851	17,813	142,970
Consumer loans	135,213	64,176	19,010	9,727	228,126
	226,906	**79,789**	**36,861**	**27,540**	**371,096**

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	2016	2015
Commercial loans	**389,244**	**230,097**

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		2016	2015
Loans to deposit ratios (%)			
	Year-end	28.88%	28.68%
	Maximum	29.00%	28.71%
	Minimum	29.30%	27.98%
	Average	28.88%	28.43%

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.

	2016					
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	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**

LL Million	2015 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	2,939,697	688,441	710,823	5,642,530	9,209,041	19,190,532
Due from banks and financial institutions	2,786,810	615,312	770,718	44,753	-	4,217,593
Loans to banks and financial institutions	416	517	15,413	54,593	-	70,939
Derivative financial instruments	28,696	7,773	4,250	-	-	40,719
Financial assets at fair value through profit or loss	8,364	109,393	7,994	173,424	391,516	690,691
Net loans and advances to customers at amortized cost	3,291,612	1,349,142	3,556,373	2,694,388	936,737	11,828,252
Net loans and advances to related parties at amortized cost	18,629	376	1,539	9,946	7,307	37,797
Debtors by acceptances	31,566	54,001	2,882	-	405	88,854
Financial assets at amortized cost	298,640	524,393	2,952,300	7,182,240	6,114,602	17,072,175
Financial assets at fair value through other comprehensive income	-	-	-	-	6,229	6,229
Total undiscounted financial assets	**9,404,430**	**3,349,348**	**8,022,292**	**15,801,874**	**16,665,837**	**53,243,781**
Financial liabilities						
Due to central banks	9,585	17,980	21,131	160,071	271,496	480,263
Repurchase Agreements	-	626	-	-	-	626
Due to banks and financial institutions	391,548	46,343	51,030	-	-	488,921
Derivative financial instruments	26,377	9,142	5,285	-	-	40,804
Customers' deposits at amortized cost	26,307,472	6,491,298	4,206,354	878,236	55,046	37,938,406
Deposits from related parties at amortized cost	180,314	327	20,718	87	-	201,446
Engagements by acceptances	31,566	54,001	2,882	-	405	88,854
Total undiscounted financial liabilities	**26,946,862**	**6,619,717**	**4,307,400**	**1,038,394**	**326,947**	**39,239,320**
Net undiscounted financial assets / (liabilities)	**(17,542,432)**	**(3,270,369)**	**3,714,892**	**14,763,480**	**16,338,890**	**14,004,461**

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	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
Other commitments	-	71,532	-	-	-	71,532
Total	**680,973**	**214,462**	**-**	**-**	**-**	**895,435**

LL Million	2015 On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Guarantees issued	840,464	-	-	-	-	840,464
Documentary credits	-	182,850	-	-	-	182,850
Other commitments	-	51,296	-	-	-	51,296
Total	**840,464**	**234,146**	**-**	**-**	**-**	**1,074,610**

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 and, whenever possible, hedging strategies are used to ensure positions are maintained within established limits.

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.

	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)
Others	+0.25%	1,339

	2015	
LL Million	Increase in basis points	Sensitivity of net interest income
Currency		
Lebanese Lira	+0.5%	(18,213)
United States Dollar	+0.5%	(288)
Euro	+0.25%	(2,181)
Others	+0.25%	1,793

An equivalent decrease would have resulted in an equivalent but opposite impact for the years ended 31 December 2016 and 31 December 2015.

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:

	2016							
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	1,641,073	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
Total liabilities	**24,731,468**	**4,049,441**	**3,396,556**	**216,145**	**407,151**	**322,928**	**6,360,503**	**39,484,192**
Total interest rate sensitivity gap	**(17,599,286)**	**286,256**	**1,180,862**	**2,316,476**	**6,470,907**	**13,532,028**	**(2,087,026)**	**4,100,217**

LL Million	2015							
	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	1,768,788	1,057,240	206,943	3,316	1,724,263	7,217,495	2,318,403	14,296,448
Due from banks and financial institutions	1,374,237	578,028	846,210	7,937	63,828	-	1,343,288	4,213,528
Loans to banks and financial institutions	-	8,200	39,717	-	14,883	-	576	63,376
Derivative financial instruments	-	-	-	-	-	-	40,719	40,719
Financial assets at fair value through profit or loss	35,713	106,245	6	11,641	18,692	105,316	317,656	595,269
Net loans and advances to customers at amortized cost	3,990,807	2,123,419	2,950,451	827,546	753,927	96,995	72,561	10,815,706
Net loans and advances to related parties at amortized cost	18,417	3,035	65	103	3,818	6,778	-	32,216
Debtors by acceptances	-	-	-	-	-	-	88,854	88,854
Financial assets at amortized cost	308,874	347,333	2,175,462	1,477,087	3,642,899	4,690,385	184,339	12,826,379
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	6,229	6,229
Total assets	**7,496,836**	**4,223,500**	**6,218,854**	**2,327,630**	**6,222,310**	**12,116,969**	**4,372,625**	**42,978,724**
Liabilities								
Due to central banks	4,154	17,226	18,295	31,509	103,528	280,839	4,091	459,642
Repurchase Agreements	-	-	-	-	-	-	626	626
Due to banks and financial institutions	129,219	46,619	50,235	-	-	-	260,620	486,693
Derivative financial instruments	-	-	-	-	-	-	40,804	40,804
Customers' deposits at amortized cost	23,733,325	4,023,438	3,184,930	259,045	455,599	51,007	5,916,433	37,623,777
Deposits from related parties at amortized cost	179,508	223	20,372	85	-	-	417	200,605
Engagements by acceptances	-	-	-	-	-	-	88,854	88,854
Other liabilities	-	-	-	-	-	-	698,815	698,815
Total liabilities	**24,046,206**	**4,087,506**	**3,273,832**	**290,639**	**559,127**	**331,846**	**7,010,660**	**39,599,816**
Total interest rate sensitivity gap	**(16,549,370)**	**135,994**	**2,945,022**	**2,036,991**	**5,663,183**	**11,785,123**	**(2,638,035)**	**3,378,908**

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:

		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**

LL Million	Lebanese Lira	2015 Foreign currencies in Lebanese Lira				Total
		US Dollars	Euro	Other foreign currencies	Total foreign currencies	
Assets						
Cash and balances with central banks	3,738,999	6,941,278	1,940,046	1,676,125	10,557,449	14,296,448
Due from banks and financial institutions	62,768	2,281,265	762,470	1,107,025	4,150,760	4,213,528
Loans to banks and financial institutions	34,681	25,450	3,245	-	28,695	63,376
Derivative financial instruments	14,587	10,056	1,907	14,169	26,132	40,719
Financial assets at fair value through profit or loss	51,250	310,699	19,831	213,489	544,019	595,269
Net loans and advances to customers at amortized cost	2,264,022	5,921,206	292,202	2,338,276	8,551,684	10,815,706
Net loans and advances to related parties at amortized cost	5,533	15,025	1,544	10,114	26,683	32,216
Debtors by acceptances	100	64,249	17,293	7,212	88,754	88,854
Financial assets at amortized cost	6,641,936	4,155,454	10,635	2,018,354	6,184,443	12,826,379
Financial assets at fair value through other comprehensive income	-	640	25	5,564	6,229	6,229
Property and equipment	417,701	241	38,226	187,946	226,413	644,114
Intangible assets	3,772	39	63	1,316	1,418	5,190
Assets obtained in settlement of debt	(1,316)	24,804	-	14,550	39,354	38,038
Other assets	61,922	32,544	5,635	52,928	91,107	153,029
Goodwill	-	-	-	47,876	47,876	47,876
Total assets	**13,295,955**	**19,782,950**	**3,093,122**	**7,694,944**	**30,571,016**	**43,866,971**
Liabilities						
Due to central banks	446,396	-	-	13,246	13,246	459,642
Repurchase Agreements	-	-	-	626	626	626
Due to banks and financial institutions	1,229	131,945	218,821	134,698	485,464	486,693
Derivative financial instruments	14,562	18,046	613	7,583	26,242	40,804
Customers' deposits at amortized cost	10,504,962	19,003,963	2,648,924	5,465,928	27,118,815	37,623,777
Deposits from related parties at amortized cost	120,251	46,197	13,514	20,643	80,354	200,605
Engagements by acceptances	100	64,249	17,293	7,212	88,754	88,854
Other liabilities	268,699	266,837	15,038	148,241	430,116	698,815
Provisions for risks and charges	93,112	15,387	6,531	49,320	71,238	164,350
Total liabilities	**11,449,311**	**19,546,624**	**2,920,734**	**5,847,497**	**28,314,855**	**39,764,166**
Net exposure	**1,846,644**	**236,326**	**172,388**	**1,847,447**	**2,256,161**	**4,102,805**

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.

	2016		2015	
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%**	**14,135**	**± 1%**	**12,903**
EUR	**± 3%**	**6,373**	**± 3%**	**37,787**

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 2016 would have increased other comprehensive income by LL 105 million and net income by LL 9,260 million (2015: LL 150 million and LL 8,125 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 fixed rate 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 for the year ended 31 December 2013 and thereafter:

	Common Tier 1 capital ratio	Tier 1 Capital Ratio	Total Capital Ratio
Year ended 31 December 2013	6.00%	8.50%	10.50%
Year ended 31 December 2014	7.00%	9.50%	11.50%
Year ended 31 December 2015	8.00%	10.00%	12.00%
Year ended 31 December 2016	8.50%	11.00%	14.00%

LL Million	2016	2015
Risk weighted assets		
Credit risk	17,658,520	17,629,012
Market risk	832,533	1,087,579
Operational risk	2,362,146	2,194,313
Total risk weighted assets	**20,853,199**	**20,910,904**

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	2016	2015	2016	2015
Tier 1 Capital	3,609,936	3,351,284	3,956,065	3,667,881
Of which: Common Tier 1	*3,306,449*	*3,047,304*	*3,652,529*	*3,359,641*
Tier 2 Capital	182,430	16,755	182,578	21,094
Total Capital	**3,792,366**	**3,368,039**	**4,138,643**	**3,688,975**

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	
	2016	2015	2016	2015
Capital adequacy – Common Tier 1	**15.86%**	**14.57%**	**17.52%**	**16.07%**
Capital adequacy - Tier 1	**17.31%**	**16.03%**	**18.97%**	**17.54%**
Capital adequacy -Total Capital	**18.19%**	**16.11%**	**19.85%**	**17.64%**

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)

BLOM BANK GROUP DIRECTORY

Worldwide Correspondent Banks

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, Beijing	Bank of China Limited
Denmark, Copenhagen	Danske Bank A/S
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	Sumitomo Mitsui Banking Corporation
Japan, Tokyo	The Bank of Tokyo-Mitsubishi UFJ Ltd
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	The Commercial Bank of Qatar (QSC)
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
Turkey, Istanbul	Yapi ve Kredi Bankasi AS
U.A.E, Abu Dhabi	National Bank of Abu Dhabi
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.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 SECURITIES

BLOM DEVELOPMENT BANK SAL

BLOMINVEST SAUDI ARABIA

BLOM BANK FRANCE

BLOM BANK QATAR LLC

BLOM BANK (SWITZERLAND) SA

BLOM SECURITIES

BLOM ASSET MANAGEMENT Co. SAL

Insurance Subsidiaries

AROPE INSURANCE

AROPE INSURANCE EGYPT

Banks & Financial Subsidiaries

BLOM BANK SAL | LEBANON

Management

Refer to page 17 until 26 of this report for management.

Branch Network

HEADQUARTERS (BEIRUT)
Verdun, Rachid Karami St., BLOM BANK Bldg.
P.O.Box: 11-1912 Riad El-Solh, Beirut 1107 2807, Lebanon
Phone: (961-1) 743300 – 738938
Fax: (961-1) 738946
Email: blommail@blom.com.lb
Website: www.blombank.com

Beirut Branches

Main Branch
Verdun, Rachid Karami St., BLOM BANK Bldg.
Phone: (961-1) 743300 – 738938
Fax: (961-1) 343092
Principal Branch Manager: Mr. Walid ARISS

Ain El-Mreisseh
Ain El-Mreisseh, Ibn Sina St., Mashkhas Bldg.
Phone: (961-1) 372780 – 370830
Fax: (961-1) 370237
Senior Branch Manager: Mr. Mahmoud MARRACHE

Ashrafieh
Ashrafieh, Sassine Square, Michel Sassine Bldg.
Phone: (961-1) 200147/8
Fax: (961-1) 320949
Senior Branch Manager: Mrs. Denise Abi Raad JALKH

Ashrafieh Embassy
Ashrafieh, Iskandar St., Embassy II Bldg.
Phone: (961-1) 322391 -2/3/4
Fax: (961-1) 320591
Branch Manager: Mr. Nadim CHACHATI

Bab Idriss
Downtown Beirut, Bab Idriss, Weygand St., Semiramis Bldg.
Phone: (961-1) 991671/2-6
Fax: (961-1) 991670
Branch Manager: Mrs. Souraya BCHOUTY

Badaro
Badaro, Main St., Khoury Bldg.
Phone: (961-1) 615818/19/20/21
Fax: (961-1) 615825
Senior Branch Manager: Mr. Jad RAAD

Bechara El Khoury
Bechara El Khoury Highway, Bozweir & Bdeir, Tower 951, Ground Flr.
Phone: (961-79) 300594 - (961-76) 667791/2
Branch Manager: Mr. Weam DARWICH

Bliss
Ras Beirut, Bliss St., Al Rayess Bldg.
Phone: (961-1) 363742 - 363734
Fax: (961-1) 363732
Branch Manager: Mr. Marwan PHARAON

Burj Abi Haidar
Burj Abi Haidar, Salim Salem Highway, Salam Tower
Phone: (961-1) 310687 – 310677/8
Fax: (961-1) 310679
Principal Branch Manager: Mr. Samer DAYA

Concord
Verdun, Rachid Karami St., BLOM BANK Bldg.
Phone: (961-1) 750160/1/2/3
Fax: (961-1) 738859
Branch Manager: Mr. Marwan NASSER

Hamra
Hamra, Abdel Aziz St., Monte Carlo Bldg., GF
Phone: (961-1) 346290/1/2/3 – 341955 - 343503
Fax: (961- 1) 744407
Principal Branch Manager: Mr. Sami FARHAT

Istiklal
Karakol Druze, Istiklal St., Salhab Bldg.
Phone: (961-1) 738050/1 - 749624
Fax: (961-1) 748337
Branch Manager: Mr. Chafic KOUSSA

Jnah
Bir Hassan, United Nations St., Jaber Bldg.
Phone: (961-1) 855903/4/5
Fax: (961-1) 855906
Principal Branch Manager: Mr. Abbas KALOT

Koraytem
Koraytem, Ras Beirut / Snoubra, Takieddine Solh St., Ghalayini Bldg.
Phone: (961-1) 788412/3 – 800081
Fax: (961-1) 800032
Branch Manager: Mr. Wael KADI (AL)

Maarad
Downtown Beirut, Emir Bechir St., Hibat el Maarad Bldg.
Phone: (961-1) 983230/1/2/3
Fax: (961-1) 983234
Senior Branch Manager: Mr. Amer KAMAL

Mar Elias
Corniche El Mazraa, Main St., Zantout Bldg.
Phone: (961-1) 818616/7/8
Fax: (961-1) 818009
Branch Manager: Mr. Mazen ALIEH

Mazraa
Corniche El Mazraa, Barbir Square, Majdalani Bldg.
Phone: (961-1) 664337 – 648021/2
Fax: (961-1) 648020
Branch Manager: Mr. Omar HALABI (EL)

Mina El Hosn
Mina El Hosn, Adnan El Hakim St., Beirut Tower Bldg.
Phone: (961-1) 365234/5/6/7
Fax: (961-1) 365230
Principal Branch Manager: Mr. Samer BOHSALI

Noueiri
Noueiri, Al Noueiri Station, Hamada Bldg.
Phone: (961-1) 658611 – 658610
Fax: (961-1) 630319
Branch Manager: Mrs. Nahida Mehdi WEHBE

Raouche
Raouche Blvd., Al Rayess & Bou Dagher Bldg.
Phone: (961-1) 812603/4/5/6
Fax: (961-1) 801634
Senior Branch Manager: Mr. Mohamad MARRACHE

Rmeil
Rmeil, Saint George Hospital St., Medica Center Bldg.
Phone: (961-1) 565454 – 567140/1
Fax: (961-1) 565252
Branch Manager: Mrs. Salma Rbeiz ACHKOUTY

Saifi
Saifi, Al Arz St., Akar Bldg.
Phone: (961-1) 566794 – 587196
Fax: (961-1) 581683
Branch Manager: Mr. Eddy EID

Sanayeh
Sanayeh, Spears St., Chamber of Commerce & Industry Bldg.
Phone: (961-1) 346042/3 – 748339
Fax: (961-1) 738404
Branch Manager: Mr. Abbas TANNIR (AL)

Sodeco
Sodeco, Damascus Road, Sodeco Square Tower
Phone: (961-1) 611360/1/2
Fax: (961-1) 423805
Branch Manager: Mr. Johnny MAALOUF

Tabaris
Tabaris, Gebran Tueini Square, Sursock Tower
Phone: (961-1) 203142/3/4
Fax: (961-1) 203145
Principal Branch Manager: Ms. Claire ABOU MRAD

Tariq Al-Jedideh
Tariq Al-Jedideh, Al Malaab Al Baladi Square, Salim Bldg.
Phone: (961-1) 818621 – 816985 – 309959
Fax: (961-1) 818620
Branch Manager: Mr. Khodor MNEIMNEH

Mount Lebanon Branches

Ain El-Remaneh
Ain El-Remaneh, Lamaa Lamaa St., Bou Chedid Bldg., GF
Phone: (961-1) 386750/1/2
Fax: (961-1) 386753
Branch Manager: Mr. Bassam MOUSSALLEM

Airport Road
Ghobeyri, Airport Road – Facing Zaarour Center
Phone: (961-1) 845072/3
Fax: (961-1) 845074
Senior Branch Manager: Mr. Ezzat MELHEM

Aley
Aley, Al Balakine St., Faysal Sultane Wahab Bldg.
Phone: (961-5) 556612/3
Fax: (961-5) 556614
Senior Branch Manager: Mrs. May BOU ALWAN

Antelias
Antelias, Rahbani St., Kheirallah Bldg.
Phone: (961-4) 411472 – 520210 – 411418 – 410123
Fax: (961-4) 523666
Senior Branch Manager: Mr. Farid ZOGHBI

Aramoun
Aramoun, Main Road, Zaynab Center
Phone: (961-5) 808591/2/3
Fax: (961-5) 808594
Principal Branch Manager: Mrs. Nawal Merhi ABOU DIAB

Baabda
Baabda, Main Road, 610 Bldg., Block A
Phone: (961-5) 921869/70/1/2/4
Fax: (961-5) 921864
Branch Manager: Mr. Joe GHAZAL

Bekfaya
Sakiyat El Misk, Main Road, After the Statue of Sheikh Pierre Gemayel, Kaii Center
Phone: (961-4) 984751/2/3/4 - (961-79) 303416/7
Fax: (961-4) 985209
Branch Manager: Mr. Michel HAYECK

Broumana
Broumana, Main St., BLOM BANK Bldg.
Phone: (961-4) 862263/4
Fax: (961-4) 862265
Branch Manager: Dr. Gladys Younes KREIKER

Burj Al-Barajneh
Burj Al-Barajneh, Ain El Sekka St., Rahal Bldg.
Phone: (961-1) 450381/2/3 – 450446
Fax: (961-1) 450384
Branch Manager: Mr. Rabih CHDID

Burj Hammoud
Burj Hammoud, Armenia St., Harboyan Center
Phone: (961-1) 262067 – 266337/8
Fax: (961-1) 259061
Branch Manager: Mr. Youssef HOMSI

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 BOUSTANY

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

Dora
Dora, Main Highway, Banking Center Bldg.
Phone: (961-1) 256527/28/32
Fax: (961-1) 256522
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., Abraj Center
Phone: (961-1) 293810/3
Fax: (961-1) 293816
Branch Manager: Mr. Ronald FARAH

Ghobeiry
Ghobeiry, Chiah Blvd., Tohme & Jaber & Kalot Bldg.
Phone: (961-1) 825509 – 825870
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
Phone: (961-5) 955241/2/3/4
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
Phone: (961-9) 856810/1/2/3/4
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

Sin El Fil
Sin El Fil, Fouad Chehab Avenue, Far Vision Center
Phone: (961-1) 485270/1/2
Fax: (961-1) 485273
Principal Branch Manager: Mr. Fadi MIR (EL)

Sin El Fil – Horsh Tabet
Horsh Tabet, Charles De Gaulle St., Tayar Center
Phone: (961-1) 489733 – 489750/7
Fax: (961-1) 489739
Branch Manager: Mr. Gerard GHOSN

Zalka
Zalka, Main St., BLOM BANK Bldg.
Phone: (961-4) 713074/5/6 – 723074/5
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.
Phone: (961-6) 951801/2/3
Fax: (961-6) 951813
Branch Manager: Mrs. Ralda Rouss AZAR

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) 412953
Senior Branch Manager: Mr. Chaina ASSI

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. Wassim BAGHDADI

Tripoli - Zahrieh
Tripoli Zahrieh, Al Tall St., Alam Al Din & Bissar Bldg.
Phone: (961-6) 430150/2 – 423414/5
Fax: (961-6) 430151
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

Chouf Branch

Chehim
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

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 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)

BLOM BANK S.A.L | JORDAN

Management

General Management	
Dr. Adnan AL ARAJ	Regional Manager
Mr. Adnan SALLAKH	General Management Consultant - Lebanon
Mr. Moder KURDI	Assistant General Manager / Credit
Mr. Muhannad AL BALBISSI	Assistant Regional Manager/ Finance
Mr. Omar ABDULLAH	Assistant Regional Manager / Retail
Mr. Ashraf Al QUDAH	Treasury & Investments Manager
Mr. Hani DIRANI	Head of Legal & Collection
Mr. Said OBEIDALLAH	Head of Internal Audit
Mr. Muhannad ABYAD	Head of IT Operations
Mr. Nabil OBALI	Head of Risk
Mr. Maan ZOABI	Head of Compliance Unit
Mr. Muhannad YOUNIS	Central Operation Manager

Network

REGIONAL MANAGEMENT (AMMAN)
18 Al Sharif Abdel Hamid Sharaf St.
P.O.Box: 930312 Shmeisani, Amman
111 93, Jordan
Phone: (962-6) 5001200
Fax: (962-6) 5677177
Call Center: (962-6) 5001222
Email: blommail@blom.com.jo
Website: www.blombank.jo

Abdoun
Princess Basmah St., Essam
Al-Khateeb Complex, Bldg. #2
Phone: (962-6) 5929663
Fax: (962-6) 5929662
Email: abdoun@blom.com.jo
Branch Manager: Mr. Omar ABO ASSAF

Aqaba
Sherif Shaker Ben Zeid St.
Phone: (962-3) 2019340
Fax: (962-3) 2019318
Email: aqaba@blom.com.jo
Branch Manager: Mr. Shady Adel AL FAKHOURY

Jubeiha
20 Yajouz St., Bldg. #20
Phone: (962-6) 5336653
Fax: (962-6) 5336657
Email: jubeiha@blom.com.jo
Branch Manager: Mr. Ammar SAIDI

Al Abdali
Al Abdali St., Jouba Bldg.
Phone: (962-6) 5696566
Fax: (962-6) 5693955
Email: abdali@blom.com.jo
Branch Manager: Ms. Mariana AUDEH

Irbid
Irbid King Abdallah the Second St.,
Al-Qubba Circle, Bldg. #4
Phone: (962-2) 7240006
Fax: (962-2) 7240057
Email: Irbid@blom.com.jo
Branch Manager: Mr. Ahmad DABAAN

Mecca Street
Mecca St., Al Husseine Complex,
Bldg. #152
Phone: (962-6) 5503130
Fax: (962-6) 5521347
Email: mecca@blom.com.jo
Branch Manager: Mr. Raed JUDEH

Shmeisani
Al Sharif Abdel Hamid Sharaf St.,
Bldg. #18
Phone: (962-6) 5001200
Fax: (962-6) 5605652
Email: shmeisani@blom.com.jo
Branch Manager: Mr. Abed Aljawad OWAISI

Taj
Abdoun, Jordan, Taj Mall Center
Phone: (962-6) 5931912
Email: taj@blom.com.jo
Branch Manager: Mr. Aws TAHBOB

Wihdat
Al Amir Hassan St., Oum Heiran,
Bldg. #453
Phone: (962-6) 4750050
Fax: (962-6) 4750055
Email: wihdat@blom.com.jo
Branch Manager: Mr. Eyad GHAITH

Tareq
Ebn Sahnoon St.,
Phone: (962-6) 5055141
Fax: (962-6) 5055231
Email: tareq@blom.com.jo
Branch Manager: Mr. Hussein Al HELO

Sweifieh
Abed Al Rahim Al Hajj Mohammad
St., Bldg. #67
Phone: (962-6) 5865527
Fax: (962-6) 5865346
Email: sweifieh@blom.com.jo
Branch Manager: Mr. Jamal MOMANI

Wadi Saqra
Wadi Saqra St., Al Reem Complex,
Bldg. #244
Phone: (962-6) 5687333
Fax: (962-6) 5687888
Email: wadisaqra@blom.com.jo
Branch Manager: Ms. Elham SAUDI

Zarqa
Zarqa, Free Zone Gate 1
Phone: (962-5) 3824921
Fax: (962-5) 3823931
Email: freezone@blom.com.jo
Branch Manager: Mr. Ala'a AHMAD

Khalda
Wasef Al Tal St., Opposite to Sedeen
Hotel, Bldg. #25
Phone: (962-6) 5344641
Fax: (962-6) 5344217
Email: khalda@blom.com.jo
Branch Manager: Mr. Marwan SALAH

Cyprus

Management

Management	
Mr. Ziad EL MORR	Country Manager

Network

205Z Makarios Avenue, Victory House Bldg., 3030 Limassol - Cyprus
P.O.Box: 53243, 3301 Limassol
Phone: (357-25) 376433/4/5
Fax: (357-25) 376292
Email: blom@blom.com.cy
Website: www.blombank.com

Abu Dhabi

Management

Management	
Mr. Ramzi AKKARI	Chief Representative

Network

Representative Office
Etihad Towers, Tower 3, Flr. 20, Corniche, Abu Dhabi - UAE
P.O.Box: 63040
Phone: (971-2) 6676100
Fax: (971-2) 6676200
Email: blombank@blombankad.ae
Website: www.blombank.com

Iraq

Management

Management	
Mr. Ali CHREIF	Business Development Manager for Baghdad
Mr. Marwan NAJI	Risk Manager

Network

Baghdad
Karada Kharej - Zone 905 - #9 St. - #1 Bldg.
Phone: (964) 7809288690/1/2/3
Branch Manager: Mr. Hussein OBEID
Website: www.blombank.com

Erbil
Erbil – 60 Meter St. – Near Iskan Intersection -
BLOM BANK Bldg.
Phone: (964) 7510161500/1/2/3
Senior Branch Manager: Mr. Georges CHEDID
Website: www.blombank.com

BLOMINVEST BANK S.A.L

General Management

Board of Directors	
Mr. Saad AZHARI	Chairman & General Manager
Messrs. BLOM BANK S.A.L.	Member
Mr. Marwan JAROUDI	Member
Mr. Joseph KHARRAT	Member
Mr. Samer AZHARI	Member
Mr. Nicolas SAADE	Member
General Management	
Mr. Saad AZHARI	Chairman & General Manager
Dr. Fadi OSSEIRAN	General Manager
Mr. Georges ABBOUD	Assistant General Manager, Head of Private Banking
Mr. Elie CHALHOUB	Senior Manager
Mr. Marwan ABOU KHALIL	Head of Capital Markets & Brokerage
Me. Sandra BOUSTANY	Legal Affairs
Mrs. Mirna Toutayo HAJJ	Acting Head of Strategic Planning & Organization
Mrs. Lara KANJ	Head of Real Estate
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

Network

HEADQUARTERS (BEIRUT)
Wygand St., Semiramis Bldg.
P.O.Box: 11-1540, Riad El Solh, Beirut - Lebanon
Phone: (961-1) 983227
Fax: (961-1) 749148
Email: blominvest@blominvestbank.com
Website: www.blominvestbank.com

BLOM DEVELOPMENT BANK SAL

General Management

Board of Directors	
Mr. Amr AZHARI	Chairman & General Manager
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	Acting Finance Manager
Mr. Ziad HABLI	Internal Audit Manager

(*) Elected on 06/04/2017

Network

HEADQUARTERS (BEIRUT)
Hamra, Abdel Aziz St., Daher Bldg.
Phone: (961-1) 751090/1/2/3
Fax: (961-1) 751094
Email: info@blomdevelopmentbank.com
Website: www.blomdevelopment.com

Hamra
Hamra, Abdel Aziz St., Daher Bldg.
Phone: (961-1) 751090/1/2/3
Fax: (961-1) 751094
Email: mainbranch@blomdevelopmentbank.com
Branch Manager: Mr. Tarek HOUSSAMI

Tripoli
Al Mina Road, Al Ahli Bldg.
Phone: (961-6) 429101/2/3
Fax: (961-6) 429104
Email: bdb.tripoli@blomdevelopmentbank.com
Branch Manager: Mr. Kamil KASSIR

Saida
Riad El Solh St., Zaatari Bldg., 4th Flr.
Phone: (961-7) 727698 – 729362
Fax: (961-7) 731256
Email: saida@blomdevelopmentbank.com
Acting Branch Manager: Mr. Adel THAMINE

BLOM BANK FRANCE

Management

Board of Directors	
Mr. Samer AZHARI	Chairman & General Manager
Dr. Naaman AZHARI	Honorary Chairman
Mr. Amr AZHARI	Permanent Representative of BLOM BANK S.A.L.
HE Sheikh Ghassan SHAKER *(Grand Officier de la Légion d'Honneur)*	Director
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

HEADQUARTERS (PARIS)
21 Avenue George V, 75008 Paris - France
Phone: (33-1) 44 95 06 06
Fax: (33-1) 44 95 06 00
Email: blomfrance@blomfrance.fr
Website: www.blomfrance.com
Country Manager: Mr. Jean-Pierre BAAKLINI

UNITED ARAB EMIRATES

Dubai
Prime Tower, Burj Khalifa St., Business Bay Area
P.O.Box: 4370 - Dubai - United Arab Emirates
Phone: (971-4) 2307230
Fax: (971-4) 2236260
Email: info@blomfrance.ae
Branch Manager: Mr. Eddy BECHARA

Jebel Ali E-Branch (Electronic Branch)
Ground Flr., Bldg. 4, The Galleries
Jebel Ali, Dubai
Phone: (971-4) 8849311
Fax: (971-4) 8849388
Email: info.ja@blomfrance.ae

Deira E-Branch (Electronic Branch)
Maktoum St., Dalmouk Series Bldg., Ground Flr., Deira, Dubai
Phone: (971-4) 2281954 – (971-4) 2281982
Fax: (971-4) 2281949
Email: info.deira@blomfrance.ae

Sharjah
Khaled Lagoon, Corniche Al Buhairah, Sheikh Nasser Bin Hamad Al Thani Bldg.
P.O.Box: 5803 – Sharjah – United Arab Emirates
Phone: (971-6) 5736700 – 5736100
Fax: (971-6) 5736080
Email: info.shj@blomfrance.ae
Branch Manager: Mr. Fouad ATTAR

UNITED KINGDOM

London
193-195 Brompton Road, London SW3 1LZ, England
Phone: (44-20) 75907777
Fax: (44-20) 78237356
Email: blom@blombanklondon.co.uk
Country Manager: Mr. Amr TURK

ROMANIA

HEADQUARTERS (BUCHAREST)
66 Unirii Blvd., Bloc K3, S+P+M, Sector 3
P.O.Box: 1-850, Bucharest, Romania
Phone: (40-21) 3027201
Fax: (40-21) 3185214
Email: office@blombank.ro
Country Manager: Mrs. Veronica PETRESCU

Branches in Romania

Unirii-Customer Desk
66 Unirii Blvd., Bloc K3, Mezzanin, Sector 3
P.O.Box: 1-850, Bucharest 030835, Romania
Phone: (40-21) 3027201
Fax: (40-21) 3185214
Email: unirii@blombank.ro
Head of Operations: Mrs. Florentina DELA

Victoria
72 Buzesti St., Sector 1, Bucharest, Romania
Phone: (40-21) 3154205/6
Fax: (40-21) 3154208/9
Email: victoria@blombank.ro
Branch Manager: Mr. Marius VOICULET

Constanta
25 Bis Mamaia Blvd., CP 2-89, Constanta, Romania
Phone: (40-241) 510950
Fax: (40-241) 510951
Email: constanta@blombank.ro
Branch Manager: Mr. Mihai BUTCARU

BLOM BANK (SWITZERLAND) SA

Management

Board of Directors	
Dr. Naaman AZHARI	Honorary Chairman
Mr. Saad AZHARI	Chairman
Mr. André CATTIN	Vice Chairman
Mr. Jean Paul DESSERTINE	Member
Dr. Werner FREY	Member
Me. Peter de la GANDARA	Member
Mr. Ahmad SHAKER	Member
General Management	
Mr. Antoine MAZLOUM	General Manager
Mr. Salim DIAB	Manager
Mr. Jean-Marc REBOH	Manager
Mr. Georges ABBOUD	Manager

Network

HEADQUARTERS (GENEVA)
1, Rue Rodolphe-Toepffer
P.O.Box: 3040 -1211 Geneva 3 – Switzerland
Phone: (41-22) 8177100
Fax: (41-22) 8177190
Email: dir.administr@blombank.ch
Website: www.blombank.ch

BLOM ASSET MANAGEMENT Co. SAL

Management

Board of Directors	
Dr. Fadi OSSEIRAN	Chairman & General Manager
Mr. Saad AZHARI	Member
Mr. Michel CHIKHANI	Member
General Management	
Dr. Fadi OSSEIRAN	Chairman & General Manager
Mr. Michel CHIKHANI	General Manager
Mr. Bechara BARDAWIL	Head of Portfolio Management
Mr. Marc EL-HAGE	Head of Business Development

Network

HEADQUARTERS (BEIRUT)
Verdun, Rachid Karami St., BLOM BANK Bldg.
P.O.Box: 11-1912 Riad El-Solh, Beirut – Lebanon
Phone: (961-1) 729319
Fax: (961-1) 744560
Email: amd@blom-am.com

BLOM BANK EGYPT

Management

Board of Directors	
Mr. Saad AZHARI	Chairman of the Board
Mr. Mohamed OZALP	Managing Director & Chief Executive Officer
Mr. Tarek METWALLY	Deputy Managing Director & Executive Member of the Board
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. Tarek METWALLY	Deputy Managing Director & Executive Board Member
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

HEADQUARTERS (CAIRO)
New Cairo, El Tagamoaa El Khames,
Ninety St., 61 BLOM BANK Bldg.
P.O.Box: 410, New Cairo -
El Tagamoaa El Khames
Phone: (202) 33322770/1-9
Fax: (202) 37494508 – 37494168
Website: www.blombankegypt.com

GREATER CAIRO

Abbasia
Abbasia St., 109 Bldg.
Phone: (202) 24864180/4/5
Chief Branch Manager: Mr. Hussein EL SWEIFY

Dokki
Mohie Eldin Aboul Ezz St., 64 Bldg.
Phone: (202) 37494643
Fax: (202) 37494652 – 37494679
Senior Branch Manager: Mrs. Hanaa FOUAD

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
Chief Branch Manager: Mr. Ehab NABIL

Haram
Haram St., Nasr El Din, 410 Bldg.
Phone: (202) 35681223
Senior Branch Manager: Mr. Ehab FARAHAT

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

Mesadak
30 Mesadek St., Dokki, Gizza
Phone: (202) 33375214 - 33375269
Chief Branch Manager: Mr. Hany MATTA

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

Nasr City
El Nasr Road, El Akkad Mall
Phone: (202) 26906807/9
Fax: (202) 26906805
Senior Branch Manager: Mrs. Heba SAAD

New Cairo
61, 90 St., Tagamoa El Khames
Phone: (202) 29281200
Branches Network Deputy Group Head: Mr. Sherif MOHASEB

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: Mr. Tarek TALAAT

Orouba
Heliopolis, Cleopatra St., 1 Bldg.
Phone: (202) 24144769 – 24144759
Fax: (202) 24144793
Senior Branch Manager: Mrs. Azza HENDY

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: Mrs. Wafaa EZZAT

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
El Mandara, Gamal Abd El Naser St., 414 Bldg.
Phone: (203) 5488550 – 5488598
Branch Manager: Mrs. Radwa EL FIKY

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

Ismalia
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
Acting Branch Manager: Mrs. Ghada HASSAN

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 SECURITIES

Management

Board of Directors	
Mr. Tarek METWALLY	Chairman
Mr. Hany MAHMOUD	Managing Director
Mrs. Maya EL KADI	Member
Mr. Michel CHIKHANI	Member
Mr. Rabih El HALABI	Member
Mr. Mohamed RASHWAN	Member
Mr. Belal FAROUK	Member
General Management	
Mr. Hany MAHMOUD	Managing Director
Mrs. Ola EL MANDOUH	Deputy Managing Director
Mr. Mahmoud EL GAMMAL	Compliance Manager
Mr. Tawheed ZAHER	Head of Internal Audit
Mr. Ahmed ABD EL RAHMAN	Chief Financial Officer
Mr. Emam WAKED	Head of Institutional Sales
Mrs. Mayada SAYED	Head of Retail
Mr. Ahmed MAREI	Online Trading Manager
Mrs. Lamiaa EL MANDOUH	Branch Manager

Network

HEADQUARTERS (CAIRO)
Giza, Mohandessin, Gezerat El Arab St., 8 Bldg.
Phone: (202) 37617682-3-7
Fax: (202) 37617680
Email: info@blomsecurities.com
Website: www.blomegyptsecurities.com

Online Trading
Giza, Mohandessin, Gezerat El Arab St., 8 Bldg.
Phone: (202) 37621712 - (202) 37621729
Fax: (202) 37617680
Email: etrade@blomsecurities.com

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

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. Fahad AL-MOJIEL	Independent Member
Mr. Hazem 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 Compliance & Money Laundering Reporting Officer
Mr. Fady AL KHALAF	Head of Real Estate Funds

Network

HEADQUARTERS (RIYADH)
Riyadh, King Fahd Road, Al Oula Bldg., 3rd Flr.
P.O.Box: 8151 Riyadh - 11482
Phone: (966-11) 4949555
Fax: (966-11) 4949551
Email: info@blom.sa
Website: www.blom.sa

BLOM 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
Mrs. Rima EL ETER	Risk Manager
Mrs. Carine MHANNA	Finance Manager
Mr. Roger ABOU ZEID	Head of Operations & Treasury
Mr. Zaher GHOUSSAINI	Human Resources Manager

Network

HEADQUARTERS (DOHA)
West Bay Area, Al Qassar Region 61, Al Wahda St., NBK (Amwal) Tower, 11th Flr., Suite 1110
P.O.Box: 27700 – Doha, Qatar
Phone: (974) 44992999
Fax: (974) 44992990
Email: blommail@blombankqatar.com

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)
Shmeisani, Rafeeq Al-Athem St., MSDR Bldg.
P.O.Box: 942341 Shmeisani, Amman, 11194, Jordan
Phone: (962-6) 5661608/5
Fax: (962-6) 5663905
Email: info@efs.jo

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

HEADQUARTERS (ZALKA)
Zalka, Michel Murr St., AROPE Bldg.
P.O.Box: 113-5686 Beirut – Lebanon
Phone: (961-1) 905777
e-Fax: (961-1) 886786
Hotline (24/7): 1219
Email: arope@arope.com
Website: www.arope.com

BRANCHES

Verdun
Rachid Karami St., AROPE Plaza, BLOM BANK Bldg.
Phone:(961-1) 759999
e-Fax: (961-1) 886786
Email: verdun@arope.com

Jounieh
Jounieh Highway, Damaa Bldg., 1st Flr.
Phone: (961-9) 643222
e-Fax: (961-1) 886786
Email: jounieh@arope.com

Tripoli
Boulevard St., BLOM BANK Bldg., 1st Flr.
Phone: (961–6) 413333
e-Fax: (961-1) 886786
Email: tripoli@arope.com

Saida
Boulevard St., Elia Roundabout, Zaatari Center, 2nd Flr.
Phone: (961–7) 737137-725491
e-Fax: (961-1) 886786
Email: saida@arope.com

Tyr – Abbassieh
Jal El Baher Main St., BLOM BANK Bldg., 2nd Flr.
Phone: (961–7) 350863
e-Fax: (961-1) 886786
Email: tyr@arope.com

Zahle
Zahle Entrance, Manara Center, GF
Phone: (961–8) 818640 - 806370
e-Fax: (961-1) 886786
Email: zahle@arope.com

Dora (Life Marketing)
Dora Highway, CEBACO Center, Bloc B, 3rd Flr.
Phone: (961-1) 262222
e-Fax: (961-1) 886786
Email: dora@arope.com

Zalka
Zalka, Michel Murr St., AROPE Bldg.
Phone: (961-1) 905777
e-Fax: (961-1) 886786
Email: zalka@arope.com

Chiyah
Chiyah, Youssef Malkoun St., facing Beirut Mall, 924 Dana Residence Bldg., 1st Flr.
Phone: (961-1) 392888
e-Fax: (961-1) 886786
Email: chiyah@arope.com

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. Tarek METWALLY	Member
Mr. Rabih HALABI	Member
Mr. Ahmad KHATTAB	Member
Mrs. Maya EL KADI	Member
Mr. Ihab KHALIL	Member
General Management	
Mr. Bachar EL HALABI	Managing Director

AROPE Life Insurance S.A.E.

Management

Board of Directors	
Mr. Fateh BEKDACHE	Chairman
Mr. Habib RAHAL	Member
Mr. Tarek METWALLY	Member
Mr. Rabih HALABI	Member
Mr. Bachar EL HALABI	Member
Mr. Ahmad KHATTAB	Member
Mrs. Maya EL KADI	Member
Mr. Ihab KHALIL	Member
General Management	
Mr. Ali EL SISI	Managing Director

Network

HEADQUARTERS (CAIRO)
AROPE Plaza, 30, Mesadak St., Dokki - Giza
Phone: (202) 33323299
Fax: (202) 33361482/3
Hotline: (202) 19243
Email: arope@arope.com.eg
Website: www.aropeegypt.com

Life Insurance Agencies

Maadi
4, 151 St., Maadi, Cairo, Egypt
Phone: (202) 23802622
Fax: (202) 23802631
Hotline: (202) 19243
Email: arope@arope.com.eg

Nasr City
68, Makram Ebeid St., Nasr City, Cairo, Egypt
Phone: (202) 26706642
Fax: (202) 26706643
Hotline: (202) 19243
Email: arope@arope.com.eg

Alexandria
75, Fawzi Moaz St., Samouha – Alexandria
Hotline: (202) 19243
Email: arope@arope.com.eg

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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